



# GAMAGARA MUNICIPALITY

## ***ANNUAL FINANCIAL STATEMENTS***

***for the year ended***

***30 June 2013***

**GAMAGARA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

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**GAMAGARA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**GENERAL INFORMATION**

**EXECUTIVE MAYOR**

Hon. Cllr. M. Diniza

**GRADING OF THE LOCAL AUTHORITY**

Grade 2

**EXTERNAL AUDITORS**

Office of the Auditor General (Kimberley)  
Private Bag X5013  
Kimberley  
8300

**PRIMARY BANKER**

First National Bank

**REGISTERED OFFICE**

Civic Centre  
Cnr Hendrik Van Eck & Frikkie Meyer Rd  
Kathu  
8446

PO Box 1001  
Kathu  
8446

Telephone: (053) 723-2261

Website: <http://www.gamagara.co.za/>

Facsimile: (053) 723-1364

**MUNICIPAL MANAGER**

M. C. Itumeleng

**CHIEF FINANCIAL OFFICER (Acting)**

M. NM. Grond

**GAMAGARA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**GENERAL INFORMATION (continued)**

**APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 100, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

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**C ITUMELENG**  
**MUNICIPAL MANAGER**  
31 August 2013

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**NM GROND**  
**ACTING CHIEF FINANCIAL OFFICER**  
31 August 2013

**GAMAGARA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**MEMBERS OF THE COUNCIL**

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**MEMBERS OF COUNCIL**

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Cllr. MM Diniza	<b>Mayor</b>
Cllr. VL Gorrah	Councillor
Cllr. ET Tiroyame	Councillor
Cllr. JC Kaars	Councillor
Cllr. OE Hantise	Councillor
Cllr. F van den Heever	Councillor
Cllr. DP Moyo	Councillor
Cllr. P Selonyane	Councillor
Cllr. G Vos	Councillor
Cllr. J Johnson	Councillor

**GAMAGARA MUNICIPALITY**  
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**MEMBERS OF THE COUNCIL (continued)**

**CERTIFICATION OF REMUNERATION OF COUNCILLORS**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**C ITUMELENG**  
**MUNICIPAL MANAGER**  
31 August 2013

**GAMAGARA MUNICIPALITY**  
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**for the year ended 30 June 2013**

**AUDIT REPORT**

The 2012/13 Audit Report will be attached hereto when received, after the completion of the statutory audit.

**GAMAGARA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Gamagara Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

**2.1 Financial Statement Ratios:**

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	21 612 323	(18 970 178)
Acc. Surplus / (Deficit) at the end of the Year	1 019 683 960	997 935 184
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	26.57%	24.60%
Remuneration of Councillors	0.92%	0.97%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	21.03%	22.34%
Impairment Losses	2.66%	0.81%
Repairs and Maintenance	5.10%	5.33%
Interest Paid	2.03%	2.05%
Bulk Purchases	26.18%	25.54%
Contracted Services	1.81%	2.86%
Grants and Subsidies Paid	5.07%	8.29%
General Expenses	8.64%	6.63%
Current Ratio:		
Trade Creditors Days	2	21
Debtors from Exchange Transactions Days	49	37



## 2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	3.49%	8.22%
Capital Charges to Own Revenue	4.83%	14.29%
Borrowing to Total Capital Assets	3.16%	3.59%
Safety of Capital:		
Gearing	3.30%	3.78%
Liquidity:		
Current Ratio	1.31	1.20
Liquidity Ratio	0.05	0.11
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	75.52%	88.91%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Current Debtors Collection Rate	89.19%	97.54%
Outstanding Debtors to Revenue	18.96%	12.83%
Creditors Management:		
Creditors to Cash and Investments	27.04%	118.71%
Financial Viability:		
Debt Coverage	47.86	9.09
Outstanding Service Debtors to Revenue	24.96%	16.96%
Cost Coverage	0.01	0.02

## 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The services offered by Gamagara Municipality Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	997 935 184	890 770 077	12.03	-	100.00
Operating income for the year	279 337 940	207 706 280	34.49	367 782 327	(24.05)
Appropriations for the year	-	-	-	-	-
	1 277 273 124	1 098 476 357	16.28	367 782 327	247.29
<b>Expenditure:</b>					
Operating expenditure for the year	257 725 617	226 676 458	13.70	259 128 093	(0.54)
Sundry transfers	(136 454)	(126 135 285)	(99.89)	-	100.00
Closing surplus / (deficit)	1 019 683 960	997 935 184	2.18	108 654 234	838.47
	1 277 273 124	1 098 476 357	16.28	367 782 327	247.29

### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	59 946 074	46 591 285	28.66	77 264 898	(22.41)
Expenditure	107 470 205	87 885 004	22.29	110 103 136	(2.39)
Surplus / (Deficit)	(47 524 131)	(41 293 718)	15.09	(32 838 238)	44.72
Surplus / (Deficit) as % of total income	(79.28)%	(88.63)%		(42.50)%	

### 3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	16 743 774	14 036 394	19.29	51 378 593	(67.41)
Expenditure	8 858 193	13 598 018	(34.86)	9 053 167	(2.15)
Surplus / (Deficit)	7 885 581	438 376	1 698.82	42 325 426	(81.37)
Surplus / (Deficit) as % of total income	47.10%	3.12%		82.38%	

### 3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	63 680 629	43 870 990	45.15	81 764 592	(22.12)
Expenditure	30 163 995	28 221 994	6.88	29 530 064	2.15
Surplus / (Deficit)	33 516 633	15 648 996	114.18	52 234 528	(35.83)
Surplus / (Deficit) as % of total income	52.63%	35.67%		63.88%	

### 3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R58 675 889 (2012: R52 453 797). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	96 275 954	71 412 544	34.82	105 845 498	(9.04)
Expenditure	77 318 285	69 579 705	11.12	77 004 469	0.41
Surplus / (Deficit)	18 957 670	1 832 839	934.33	28 841 029	(34.27)
Surplus / (Deficit) as % of total income	19.69%	2.57%		27.25%	

### 3.5 Water Services:

Water is bought in bulk from Sedibeng Water and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R8 786 362 (2012: R5 441 721 ). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	42 691 510	31 795 067	34.27	51 528 746	(17.15)
Expenditure	33 914 940	27 391 738	23.81	33 437 257	1.43
Surplus / (Deficit)	8 776 570	4 403 329	99.32	18 091 489	(51.49)
Surplus / (Deficit) as % of total income	20.56%	13.85%		35.11%	

## 4. RECONCILIATION OF BUDGET TO ACTUAL

### 4.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	108 654 234	59 248 544
Revenue variances	(88 444 387)	(34 299 149)
Expenditure variances:		
Employee Related Costs	(4 394 340)	(89 859)
Remuneration of Councillors	(8 821)	(170 603)
Collection Costs	-	-
Depreciation and Amortisation	16 851	(41 507 155)
Impairment Losses	(878 961)	171 454
Repairs and Maintenance	3 048 044	337 456
Interest Paid	(1 130 473)	5 885 842
Bulk Purchases	-	(14 509 517)
Contracted Services	991 589	(340 491)
Grants and Subsidies Paid	2 319 716	5 220 256
General Expenses	1 438 870	2 404 970
Loss on disposal of Property, Plant and Equipment	-	(1 321 925)
Actual surplus before appropriations	21 612 323	(18 970 178)

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	108 654 234	59 248 544
Executive and Council	(3 152 242)	(1 830 960)
Finance and Administration	(409 847)	(7 458 946)
Planning and Development	1 713 351	590 905
Health	-	-
Community and Social Services	(1 775 050)	(9 270 123)
Housing	(34 439 845)	526 556
Public Safety	(644 727)	445 010
Sport and Recreation	(3 565 130)	(294 748)
Environmental Protection	(371 403)	(3 563)
Waste Management	(18 717 895)	(5 120 228)
Roads and Transport	(7 384 505)	(8 045 868)
Water	(9 314 919)	(15 671 915)
Electricity	(9 883 359)	(33 943 035)
Other	903 659	1 858 192
Actual surplus before appropriations	21 612 323	(18 970 178)

Details of the operating results per segmental classification of expenditure are included in Appendix "D"

## 5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R1 019 683 960 (30 June 2012: R997 935 184) and is made up as follows:

Capital Replacement Reserve	-
Capitalisation Reserve	-
Donations and Public Contributions Reserve	-
Government Grants Reserve	-
Accumulated Surplus	1 019 683 960
	<u>1 019 683 960</u>

Refer to Note 19 and the Statement of Change in Net Assets for more detail.

## 6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R33 660 584 (30 June 2012: R37 672 580).

Refer to Note 16 and Appendix "A" for more detail.

## 7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R20 961 237 (30 June 2012: R17 093 226).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 17 for more detail.

## 8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R7 438 002 as at 30 June 2013 (30 June 2012: R5 713 235) and is made up as follows:

Provision for Long-term Service	3 673 967
Provision for Rehabilitation of Land-fill Sites	3 764 035
	<u>7 438 002</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 18 for more detail.

## 9. CURRENT LIABILITIES

Current Liabilities amounted R47 956 601 as at 30 June 2013 (30 June 2012: R38 720 090) and is made up as follows:

Consumer Deposits	Note 11	4 091 749
Provisions	Note 12	1 884 506
Payables from Exchange Transactions	Note 13	673 685
Payables from Non-exchange Transactions	Note 14	12 015 817
Unspent Conditional Grants and Receipts	Note 15	1 896 690
Bank Overdraft	Note 7	23 382 157
Current Portion of Long-term Liabilities	Note 16	4 011 996
		<u>47 956 601</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 056 642 672 as at 30 June 2013 (30 June 2012: R1 040 525 897).

Refer to Note 8 and Appendices "B and E (2)" for more detail.

## 11. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 239 837 as at 30 June 2013 (30 June 2012: R1 076 520).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

## 12. INVESTMENT PROPERTY

The net value of Investment Properties were R8 975 661 as at 30 June 2013 (30 June 2012: R8 975 661).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 10 and Appendix "B" for more detail.

### 13. CURRENT ASSETS

Current Assets amounted R62 842 215 as at 30 June 2013 (30 June 2012: R46 556 238) and is made up as follows:

Inventories	Note 2	960 316
Non-current Assets Held-for-Sale	Note 3	14 690 600
Receivables from Exchange Transactions	Note 4	23 098 548
Receivables from Non-exchange Transactions	Note 5	20 629 495
VAT Receivable	Note 6	971 520
Cash and Cash Equivalents	Note 7	2 491 736
		<u>62 842 215</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

### 14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 21, and Appendix "F" for more detail.

### 15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 42.

### 16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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**CHIEF FINANCIAL OFFICER**

31 August 2013

**GAMAGARA MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>62 842 215</b>	<b>46 556 238</b>
Inventories	2	960 316	1 927 156
Non-current Assets Held-for-Sale	3	14 690 600	16 433 600
Receivables from Exchange Transactions	4	23 098 548	12 338 301
Receivables from Non-exchange Transactions	5	20 629 495	8 562 112
VAT Receivable	6	971 520	2 950 593
Cash and Cash Equivalents	7	2 491 736	4 344 476
<b>Non-Current Assets</b>		<b>1 066 858 169</b>	<b>1 050 578 078</b>
Property, Plant and Equipment		1 056 642 672	1 040 525 897
Intangible Assets	9	1 239 837	1 076 520
Investment Property	10	8 975 661	8 975 661
<b>Total Assets</b>		<b>1 129 700 384</b>	<b>1 097 134 316</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>47 956 601</b>	<b>38 720 090</b>
Consumer Deposits	11	4 091 749	3 491 987
Provisions	12	1 884 506	1 623 252
Payables from Exchange Transactions	13	673 685	5 157 483
Payables from Non-exchange Transactions	14	12 015 817	7 458 328
Unspent Conditional Grants and Receipts	15	1 896 690	3 412 149
Bank Overdraft	7	23 382 157	13 822 736
Current Portion of Long-term Liabilities	16	4 011 996	3 754 155
<b>Non-Current Liabilities</b>		<b>62 059 822</b>	<b>60 479 041</b>
Long-term Liabilities	16	33 660 584	37 672 580
Retirement Benefit Liabilities	17	20 961 237	17 093 226
Non-current Provisions	18	7 438 002	5 713 235
<b>Total Liabilities</b>		<b>110 016 424</b>	<b>99 199 132</b>
<b>Total Assets and Liabilities</b>		<b>1 019 683 960</b>	<b>997 935 184</b>
<b>NET ASSETS</b>		<b>1 019 683 960</b>	<b>997 935 184</b>
Accumulated Surplus / (Deficit)	19	1 019 683 960	997 935 184
<b>Total Net Assets</b>		<b>1 019 683 960</b>	<b>997 935 184</b>

**GAMAGARA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	20	20 320 910	17 274 067
Fines		368 193	102 407
Licences and Permits		847 899	650 480
Income for Agency Services		2 036 111	1 912 648
Government Grants and Subsidies Received	21	70 695 012	63 075 680
Public Contributions and Donations	22	22 418 867	14 227 490
<b>Revenue from Exchange Transactions</b>			
Service Charges	23	153 275 346	103 602 970
Rental of Facilities and Equipment	24	1 594 220	2 337 095
Interest Earned - External Investments	25	136 800	343 767
Other Revenue	26	4 673 954	4 179 677
Profit on Sale of Land		2 970 628	-
<b>Total Revenue</b>		<b>279 337 940</b>	<b>207 706 280</b>
<b>EXPENDITURE</b>			
Employee Related Costs	27	68 477 997	55 754 916
Remuneration of Councillors	28	2 367 938	2 205 178
Depreciation and Amortisation	29	54 210 097	50 645 155
Impairment Losses		6 848 594	1 828 546
Repairs and Maintenance		13 137 834	12 079 714
Finance Costs	30	5 234 273	4 639 158
Bulk Purchases	31	67 462 250	57 895 517
Contracted Services	32	4 660 391	6 476 841
Grants and Subsidies Paid	33	13 063 534	18 800 526
General Expenses	34	22 262 710	15 028 981
Loss on Disposal of Property, Plant and Equipment		-	1 321 925
<b>Total Expenditure</b>		<b>257 725 617</b>	<b>226 676 458</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>21 612 323</b>	<b>(18 970 178)</b>
Refer to Appendix E(1) for explanation of budget variances			



**GAMAGARA MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
<b>2012</b>	R	R	R
Balance at 30 June 2011	-	890 770 077	890 770 077
Change in Accounting Policy (Note N/A)	-	-	-
Correction of Error (Note 35)	-	126 135 285	126 135 285
<b>Restated Balance</b>	-	<b>1 016 905 362</b>	<b>1 016 905 362</b>
Surplus / (Deficit) for the year		(18 970 178)	(18 970 178)
Contributions to Funds and Reserves		-	-
Interest allocated to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
<b>Balance at 30 June 2012</b>	-	<b>997 935 184</b>	<b>997 935 184</b>
<b>2013</b>			
Change in Accounting Policy (Note N/A)		-	-
Correction of Error (Note 35)		136 454	136 454
<b>Restated Balance</b>	-	<b>998 071 638</b>	<b>998 071 638</b>
Surplus / (Deficit) for the year		21 612 323	21 612 323
Contributions to Funds and Reserves		-	-
Interest allocated to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
<b>Balance at 30 June 2013</b>	-	<b>1 019 683 960</b>	<b>1 019 683 960</b>

Details on the movement of the Funds and Reserves are set out in Note 19.

**GAMAGARA MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

		Actual	
	Note	2013 R	2012 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates	20	18 062 506	16 159 546
Government Grant and Subsidies	21	72 210 471	64 648 876
Public Contributions and Donations	22	22 418 867	14 227 490
Service Charges	23	136 768 393	101 742 656
Interest Received	25	136 800	343 767
Other Receipts		4 575 510	5 880 458
<b>Payments</b>			
Employee Related Costs	27	(63 715 392)	(56 003 443)
Remuneration of Councillors	28	(2 367 938)	(2 205 178)
Interest Paid	30	(5 234 273)	(4 639 158)
Suppliers Paid		(85 186 784)	(71 167 077)
Other Payments		(37 806 605)	(32 534 421)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>59 861 554</b>	<b>36 453 517</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	8	(70 570 999)	(36 852 331)
Purchase of Intangible Assets	9	(429 190)	(21 833)
Proceeds on Disposal of Property, Plant and Equipment		510 000	1 625 675
Profit on Sale of Land		2 970 628	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(67 519 560)</b>	<b>(35 248 489)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	16	(3 754 155)	(13 998 279)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(3 754 155)</b>	<b>(13 998 279)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7	<b>(11 412 161)</b>	<b>(12 793 252)</b>
Cash and Cash Equivalents at Beginning of Period		(9 478 260)	3 314 992
Cash and Cash Equivalents at End of Period		(20 890 421)	(9 478 260)

**GAMAGARA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	1 405 011	-	1 405 011	-	-	1 405 011	960 316	-	(444 695)	68.35	68.35
Non-current Assets Held-for-Sale	-	-	-	-	-	-	14 690 600	-	14 690 600	0.00	0.00
Receivables from Exchange Transactions	9 841 458	-	9 841 458	-	-	9 841 458	23 098 548	-	13 257 090	234.71	234.71
Receivables from Non-exchange Transactions	24 725 836	-	24 725 836	-	-	24 725 836	20 629 495	-	(4 096 341)	83.43	83.43
VAT Receivable	-	-	-	-	-	-	971 520	-	971 520	0.00	0.00
Cash and Cash Equivalents	5 062 509	-	5 062 509	-	-	5 062 509	2 491 736	-	(2 570 772)	49.22	49.22
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	1 068 481 064	-	1 068 481 064	-	-	1 068 481 064	1 056 642 672	-	(11 838 392)	98.89	98.89
Intangible Assets	1 500 000	-	1 500 000	-	-	1 500 000	1 239 837	-	(260 163)	82.66	82.66
Investment Property	-	-	-	-	-	-	8 975 661	-	8 975 661	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	(0)	-	(0)	0.00	0.00
<b>Total Assets</b>	1 111 015 878	-	1 111 015 878	-	-	1 111 015 878	1 129 700 384	-	18 684 507	101.68	101.68
<b>Current Liabilities</b>											
Consumer Deposits	3 314 752	-	3 314 752	-	-	3 314 752	4 091 749	-	776 997	123.44	123.44
Provisions	1 487 827	-	1 487 827	-	-	1 487 827	1 884 506	-	396 678	126.66	126.66
Payables from Exchange Transactions	7 917 281	-	7 917 281	-	-	7 917 281	673 685	-	(7 243 596)	8.51	8.51
Payables from Non-exchange Transactions	-	-	-	-	-	-	12 015 817	-	12 015 817	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	1 896 690	-	1 896 690	0.00	0.00
VAT Payable	275 226	-	275 226	-	-	275 226	-	-	(275 226)	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	1 000 000	-	1 000 000	-	-	1 000 000	23 382 157	-	22 382 157	2 338.22	2 338.22
Current Portion of Long-term Liabilities	11 412 000	-	11 412 000	-	-	11 412 000	4 011 996	-	(7 400 004)	35.16	35.16
<b>Non-Current Liabilities</b>											
Long-term Liabilities	29 374 803	-	29 374 803	-	-	29 374 803	33 660 584	-	4 285 781	114.59	114.59
Retirement Benefit Liabilities	-	-	-	-	-	-	20 961 237	-	20 961 237	0.00	0.00
Non-current Provisions	22 038 268	-	22 038 268	-	-	22 038 268	7 438 002	-	(14 600 267)	33.75	33.75
<b>Total Liabilities</b>	76 820 158	-	76 820 158	-	-	76 820 158	110 016 424	-	33 196 266	143.21	143.21
<b>Total Assets and Liabilities</b>	1 034 195 720	-	1 034 195 720	-	-	1 034 195 720	1 019 683 960	-	(14 511 760)	98.60	98.60
<b>Net Assets (Equity)</b>											
Statutory Funds	-	-	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	1 034 195 720	-	1 034 195 720	-	-	1 034 195 720	1 019 683 960	-	(14 511 760)	98.60	98.60
<b>Total Net Assets</b>	1 034 195 720	-	1 034 195 720	-	-	1 034 195 720	1 019 683 960	-	(14 511 760)	98.60	98.60
							0		0		

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	21 000 000	-	21 000 000	-	-	21 000 000	20 320 910	-	(679 090)	96.77	96.77
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	0.00	0.00
Fines	362 460	-	362 460	-	-	362 460	368 193	-	5 733	101.58	101.58
Licences and Permits	737 856	3 000	740 856	-	-	740 856	847 899	-	107 043	114.45	114.91
Income for Agency Services	1 530 317	320 000	1 850 317	-	-	1 850 317	2 036 111	-	185 794	110.04	133.05
Government Grants and Subsidies Received	55 960 000	2 972 955	58 932 955	-	-	58 932 955	38 227 624	-	(20 705 331)	64.87	68.31
Public Contributions and Donations	28 532 000	15 100 000	43 632 000	-	127 815	43 759 815	22 418 867	-	(21 340 948)	51.23	78.57
<b>Revenue from Exchange Transactions</b>											
Service Charges	162 358 164	30 186 869	192 545 033	-	-	192 545 033	153 275 346	-	(39 269 687)	79.60	94.41
Rental of Facilities and Equipment	2 017 566	300 000	2 317 566	-	-	2 317 566	1 594 220	-	(723 346)	68.79	79.02
Interest Earned - External Investments	1 000 000	-	1 000 000	-	-	1 000 000	136 800	-	(863 200)	13.68	13.68
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	-	-	-	0.00	0.00
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Royalties Received	-	-	-	-	-	-	-	-	-	0.00	0.00
Other Income	5 033 307	1 240 018	6 273 325	-	-	6 273 325	4 673 954	-	(1 599 371)	74.51	92.86
Other Gains on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	15 000 000	24 000 000	39 000 000	-	-	39 000 000	2 970 628	-	(36 029 372)	7.62	19.80
<b>Total Revenue</b>	293 531 670	74 122 842	367 654 512	-	127 815	367 782 327	246 870 551	-	(120 911 776)	67.12	84.10
<b>Expenditure</b>											
Employee Related Costs	63 179 908	150 770	63 330 678	-	752 979	64 083 657	68 477 997	4 394 340	4 394 340	106.86	108.39
Remuneration of Councillors	2 341 798	-	2 341 798	-	17 319	2 359 117	2 367 938	8 821	8 821	100.37	101.12
Collection Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	9 686 280	-	9 686 280	-	44 540 668	54 226 948	54 210 097	-	(16 851)	99.97	559.66
Impairment Losses	2 120 000	-	2 120 000	-	3 849 633	5 969 633	6 848 594	878 961	878 961	114.72	323.05
Repairs and Maintenance	13 473 866	3 018 580	16 492 446	-	(306 568)	16 185 878	13 137 834	-	(3 048 044)	81.17	97.51
Finance Costs	11 161 800	-	11 161 800	-	(7 058 000)	4 103 800	5 234 273	1 130 473	1 130 473	127.55	46.89
Bulk Purchases	48 879 942	10 500 000	59 379 942	-	8 082 308	67 462 250	67 462 250	-	-	100.00	138.02
Contracted Services	3 607 011	769 173	4 376 184	-	1 275 796	5 651 980	4 660 391	-	(991 589)	82.46	129.20
Grants and Subsidies Paid	11 397 915	3 985 335	15 383 250	-	-	15 383 250	13 063 534	-	(2 319 716)	84.92	114.61
Research and Development Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
General Expenses	24 289 790	(562 360)	23 727 430	-	(25 850)	23 701 580	22 262 710	-	(1 438 870)	93.93	91.65
Other Losses on Continued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Expenditure</b>	190 138 310	17 861 498	207 999 808	-	51 128 285	259 128 093	257 725 617	6 412 595	(1 402 475)	99.46	135.55
<b>Surplus/(Deficit)</b>	103 393 360	56 261 344	159 654 704	-	(51 000 470)	108 654 234	(10 855 066)	(6 412 595)	(119 509 301)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	32 467 389	32 467 389	32 467 389	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Surplus/(Deficit) after Capital Transfers and</b>	103 393 360	56 261 344	159 654 704	-	(51 000 470)	108 654 234	21 612 323	26 054 793	(87 041 912)	19.89	20.90
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	103 393 360	56 261 344	159 654 704	-	(51 000 470)	108 654 234	21 612 323	26 054 793	(87 041 912)	19.89	20.90

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	1 581 000	-	1 581 000	-	-	1 581 000	153 622	-	(1 427 378)	9.72	9.72
Finance and Administration	8 909 363	(3 973 213)	4 936 150	-	-	4 936 150	3 526 125	-	(1 410 025)	71.43	39.58
Planning and Development	1 063 000	-	1 063 000	-	-	1 063 000	652 311	-	(410 689)	61.37	61.37
Health	18 000	-	18 000	-	-	18 000	5 150	-	(12 850)	28.61	28.61
Community and Social Services	3 887 400	(165 633)	3 721 767	-	-	3 721 767	267 800	-	(3 453 967)	7.20	6.89
Housing	6 000 000	2 492 060	8 492 060	-	-	8 492 060	650 000	-	(7 842 060)	7.65	10.83
Public Safety	5 035 000	-	5 035 000	-	-	5 035 000	3 564 000	-	(1 471 000)	70.78	70.78
Sport and Recreation	36 411 155	(30 390 155)	6 021 000	-	-	6 021 000	4 200 000	-	(1 821 000)	69.76	11.53
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00
Waste Management	40 889 000	48 265 400	89 154 400	-	-	89 154 400	34 985 623	-	(54 168 777)	39.24	85.56
Roads and Transport	17 247 000	2 117 940	19 364 940	-	-	19 364 940	9 856 423	-	(9 508 517)	50.90	57.15
Water	11 605 000	(2 889 929)	8 715 071	-	-	8 715 071	3 845 632	-	(4 869 439)	44.13	33.14
Electricity	4 822 000	6 730 356	11 552 356	-	-	11 552 356	9 293 503	-	(2 258 853)	80.45	192.73
Other	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>137 467 918</b>	<b>22 186 826</b>	<b>159 654 744</b>	-	-	<b>159 654 744</b>	<b>71 000 189</b>	-	<b>(88 654 555)</b>	<b>44.47</b>	<b>51.65</b>
							0				

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	21 000 000	-	21 000 000	-	-	21 000 000	18 062 506	-	(2 937 494)	86.01	86.01
Grants	122 247 957	(21 612 289)	100 635 668	-	-	100 635 668	72 210 471	-	(28 425 197)	71.75	59.07
Public Contributions and Donations	-	-	-	-	-	-	22 418 867	22 418 867	22 418 867	0.00	0.00
Service Charges	162 560 524	30 273 205	192 833 729	-	-	192 833 729	136 768 393	-	(56 065 336)	70.93	84.13
Interest Received	500 000	-	500 000	-	-	500 000	136 800	-	(363 200)	27.36	27.36
Other Receipts	10 861 476	(30 273 205)	(19 411 729)	-	-	(19 411 729)	4 575 510	23 987 239	23 987 239	0.00	42.13
Employee Related Costs	(63 179 908)	(150 770)	(63 330 678)	-	-	(63 330 678)	(63 715 392)	-	(384 714)	0.00	0.00
Remuneration of Councillors	(2 341 798)	-	(2 341 798)	-	-	(2 341 798)	(2 367 938)	-	(26 140)	0.00	0.00
Interest Paid	(11 161 800)	-	(11 161 800)	-	-	(11 161 800)	(5 234 273)	5 927 527	5 927 527	0.00	0.00
Suppliers Paid	(108 846 494)	150 770	(108 695 724)	-	-	(108 695 724)	(85 186 784)	23 508 940	23 508 940	0.00	0.00
Other Payments	-	-	-	-	-	-	(37 806 605)	-	(37 806 605)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(129 170 000)	-	(129 170 000)	-	-	(129 170 000)	(70 570 999)	58 599 001	58 599 001	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(429 190)	-	(429 190)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	510 000	510 000	510 000	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	2 970 628	2 970 628	2 970 628	0.00	0.00
Decrease / (Increase) in Long-term Receivables	24 000 000	-	24 000 000	-	-	24 000 000	-	-	(24 000 000)	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	(10 422 793)	-	(10 422 793)	-	-	(10 422 793)	(3 754 155)	6 668 638	6 668 638	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>16 047 164</b>	<b>(21 612 289)</b>	<b>(5 565 125)</b>	-	-	<b>(5 565 125)</b>	<b>(11 412 161)</b>	<b>144 590 840</b>	<b>(5 847 036)</b>	<b>0.00</b>	<b>0.00</b>

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	447 875	853 061	1 300 936	-	-	1 300 936	1 927 156	-	626 220	148.14	430.29
Non-current Assets Held-for-Sale	-	-	-	-	-	-	16 433 600	-	16 433 600	0.00	0.00
Receivables from Exchange Transactions	5 136 310	3 748 775	8 885 085	-	-	8 885 085	12 338 301	-	3 453 216	138.87	240.22
Receivables from Non-exchange Transactions	31 045 961	(8 151 668)	22 894 293	-	-	22 894 293	8 562 112	-	(14 332 181)	37.40	27.58
VAT Receivable	-	-	-	-	-	-	2 950 593	-	2 950 593	0.00	0.00
Cash and Cash Equivalents	3 971 368	716 140	4 687 508	-	-	4 687 508	4 344 476	-	(343 032)	92.68	109.39
Operating Lease Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Assets</b>	<b>237 596 069</b>	<b>752 895 333</b>	<b>990 491 402</b>	<b>-</b>	<b>-</b>	<b>990 491 402</b>	<b>1 097 134 316</b>	<b>-</b>	<b>106 642 914</b>	<b>110.77</b>	<b>461.76</b>
<b>Current Liabilities</b>											
Consumer Deposits	-	3 069 215	3 069 215	-	-	3 069 215	3 491 987	-	422 772	113.77	0.00
Provisions	-	1 377 618	1 377 618	-	-	1 377 618	1 623 252	-	245 634	117.83	0.00
Payables from Exchange Transactions	7 867 827	4 620 226	12 488 053	-	-	12 488 053	5 157 483	-	(7 330 570)	41.30	65.55
Payables from Non-exchange Transactions	-	-	-	-	-	-	7 458 328	-	7 458 328	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3 412 149	-	3 412 149	0.00	0.00
Bank Overdraft	5 315 786	(3 943 270)	1 372 516	-	-	1 372 516	13 822 736	-	12 450 220	1 007.11	260.03
Current Portion of Long-term Liabilities	8 669 913	4 447 773	13 117 686	-	-	13 117 686	3 754 155	-	(9 363 531)	28.62	43.30
<b>Non-Current Liabilities</b>											
Long-term Liabilities	44 914 524	(9 539 721)	35 374 803	-	-	35 374 803	37 672 580	-	2 297 777	106.50	83.88
Retirement Benefit Liabilities	-	-	-	-	-	-	17 093 226	-	17 093 226	0.00	0.00
Non-current Provisions	19 335 779	1 383 317	20 719 096	-	-	20 719 096	5 713 235	-	(15 005 861)	27.57	29.55
<b>Total Liabilities</b>	<b>86 103 829</b>	<b>1 415 158</b>	<b>87 518 987</b>	<b>-</b>	<b>-</b>	<b>87 518 987</b>	<b>99 199 132</b>	<b>-</b>	<b>11 680 145</b>	<b>113.35</b>	<b>115.21</b>
<b>Total Assets and Liabilities</b>	<b>151 492 240</b>	<b>751 480 175</b>	<b>902 972 415</b>	<b>-</b>	<b>-</b>	<b>902 972 415</b>	<b>997 935 184</b>	<b>-</b>	<b>94 962 769</b>	<b>110.52</b>	<b>658.74</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	151 492 240	751 480 175	902 972 415	-	-	902 972 415	997 935 184	-	94 962 769	110.52	658.74
<b>Total Net Assets</b>	<b>151 492 240</b>	<b>751 480 175</b>	<b>902 972 415</b>	<b>-</b>	<b>-</b>	<b>902 972 415</b>	<b>997 935 184</b>	<b>-</b>	<b>94 962 769</b>	<b>110.52</b>	<b>658.74</b>
							0		0		



Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	17 167 668	-	17 167 668	-	-	17 167 668	17 274 067	-	106 399	100.62	100.62
Fines	363 000	-	363 000	-	6 754	369 754	102 407	-	(267 347)	27.70	28.21
Licences and Permits	683 200	-	683 200	-	-	683 200	650 480	-	(32 720)	95.21	95.21
Income for Agency Services	1 416 960	-	1 416 960	-	-	1 416 960	1 912 648	-	495 688	134.98	134.98
Government Grants and Subsidies Received	42 665 800	26 454 803	69 120 603	-	(13 430 383)	55 690 220	34 458 738	-	(21 231 482)	61.88	80.76
Public Contributions and Donations	-	-	-	-	25 351 473	25 351 473	14 227 490	-	(11 123 983)	56.12	0.00
<b>Revenue from Exchange Transactions</b>											
Service Charges	115 483 378	-	115 483 378	-	10 047 081	125 530 459	103 602 970	-	(21 927 489)	82.53	89.71
Rental of Facilities and Equipment	1 771 820	-	1 771 820	-	-	1 771 820	2 337 095	-	565 275	131.90	131.90
Interest Earned - External Investments	1 500 000	(1 000 000)	500 000	-	-	500 000	343 767	-	(156 233)	68.75	22.92
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	-	-	-	0.00	0.00
Other Income	13 138 409	8 009 181	21 147 590	-	(13 869 862)	7 277 728	4 179 677	-	(3 098 051)	57.43	31.81
Gains on Disposal of Property, Plant and Equipment	500 000	-	500 000	-	-	500 000	-	-	(500 000)	0.00	0.00
Profit on Sale of Land	-	-	-	-	5 746 147	5 746 147	-	-	(5 746 147)	0.00	0.00
<b>Total Revenue</b>	194 690 235	33 463 984	228 154 219	-	13 851 210	242 005 429	179 089 338	-	(62 916 091)	74.00	91.99
<b>Expenditure</b>											
Employee Related Costs	54 595 003	1 270 512	55 865 515	-	(200 458)	55 665 057	55 754 916	89 859	89 859	100.16	102.12
Remuneration of Councillors	2 209 245	-	2 209 245	-	(174 670)	2 034 575	2 205 178	170 603	170 603	108.39	99.82
Collection Costs	-	-	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	9 138 000	-	9 138 000	-	-	9 138 000	50 645 155	41 507 155	41 507 155	554.23	554.23
Impairment Losses	2 000 000	-	2 000 000	-	-	2 000 000	1 828 546	-	(171 454)	91.43	91.43
Repairs and Maintenance	-	-	-	-	12 417 170	12 417 170	12 079 714	-	(337 456)	97.28	0.00
Finance Costs	7 500 000	3 000 000	10 500 000	-	25 000	10 525 000	4 639 158	-	(5 885 842)	44.08	61.86
Bulk Purchases	43 386 000	-	43 386 000	-	-	43 386 000	57 895 517	14 509 517	14 509 517	133.44	133.44
Contracted Services	1 287 350	720 000	2 007 350	-	4 129 000	6 136 350	6 476 841	340 491	340 491	105.55	503.11
Grants and Subsidies Paid	2 797 000	19 185 178	21 982 178	-	2 038 604	24 020 782	18 800 526	-	(5 220 256)	78.27	672.17
General Expenses	27 162 038	10 418 332	37 580 370	-	(20 146 419)	17 433 951	15 028 981	-	(2 404 970)	86.21	55.33
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	1 321 925	1 321 925	1 321 925	0.00	0.00
<b>Total Expenditure</b>	150 074 636	34 594 022	184 668 658	-	(1 911 773)	182 756 885	226 676 458	57 939 551	43 919 573	124.03	151.04
<b>Surplus/(Deficit)</b>	44 615 599	(1 130 038)	43 485 561	-	15 762 983	59 248 544	(47 587 120)	(57 939 551)	(106 835 664)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	28 616 942	28 616 942	28 616 942	0.00	0.00
<b>Surplus/(Deficit for the Year)</b>	<b>44 615 599</b>	<b>(1 130 038)</b>	<b>43 485 561</b>	<b>-</b>	<b>15 762 983</b>	<b>59 248 544</b>	<b>(18 970 178)</b>	<b>(29 322 609)</b>	<b>(78 218 722)</b>	<b>-</b>	<b>-</b>

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	337 000	666 000	1 003 000	-	-	1 003 000	235 689	-	(767 311)	23.50	69.94
Finance and Administration	3 516 000	105 649	3 621 649	-	-	3 621 649	2 561 000	-	(1 060 649)	70.71	72.84
Planning and Development	1 067 500	(405 199)	662 301	-	-	662 301	354 265	-	(308 036)	53.49	33.19
Health	55 000	-	55 000	-	-	55 000	23 000	-	(32 000)	41.82	41.82
Community and Social Services	4 870 200	(3 500)	4 866 700	-	-	4 866 700	3 985 622	-	(881 078)	81.90	81.84
Housing	1 700 000	(1 500 000)	200 000	-	-	200 000	150 000	-	(50 000)	75.00	8.82
Public Safety	1 493 000	(993 000)	500 000	-	-	500 000	239 856	-	(260 144)	47.97	16.07
Sport and Recreation	3 475 000	(1 120 000)	2 355 000	-	-	2 355 000	1 980 030	-	(374 970)	84.08	56.98
Environmental Protection	-	-	-	-	-	-	-	-	-	0.00	0.00
Waste Management	19 649 000	6 370 000	26 019 000	-	-	26 019 000	21 456 822	-	(4 562 178)	82.47	109.20
Roads and Transport	3 095 000	(2 236 510)	858 490	-	-	858 490	122 986	-	(735 504)	14.33	3.97
Water	14 809 500	(3 034 985)	11 774 515	-	-	11 774 515	3 400 689	-	(8 373 826)	28.88	22.96
Electricity	8 793 400	(1 460 400)	7 333 000	-	-	7 333 000	2 342 372	-	(4 990 628)	31.94	26.64
Other	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Total Capital Expenditure</b>	<b>62 860 600</b>	<b>(3 611 945)</b>	<b>59 248 655</b>	<b>-</b>	<b>-</b>	<b>59 248 655</b>	<b>36 852 331</b>	<b>-</b>	<b>(22 396 324)</b>	<b>62.20</b>	<b>58.63</b>

30 June 2012

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	17 167 668	-	17 167 668	-	-	17 167 668	16 159 546	-	(1 008 122)	94.13	94.13
Grants	42 665 800	26 455 073	69 120 873	-	-	69 120 873	64 648 876	-	(4 471 997)	93.53	151.52
Public Contributions and Donations	-	-	-	-	-	-	14 227 490	14 227 490	14 227 490	0.00	0.00
Service Charges	115 483 378	-	115 483 378	-	-	115 483 378	101 742 656	-	(13 740 722)	88.10	88.10
Interest Received	1 500 000	(1 000 000)	500 000	-	-	500 000	343 767	-	(156 233)	68.75	22.92
Other Receipts	19 046 403	-	19 046 403	-	-	19 046 403	5 880 458	-	(13 165 945)	30.87	30.87
Employee Related Costs	(54 595 003)	(1 270 512)	(55 865 515)	-	-	(55 865 515)	(56 003 443)	-	(137 928)	0.00	0.00
Remuneration of Councillors	(2 209 245)	-	(2 209 245)	-	-	(2 209 245)	(2 205 178)	4 067	4 067	0.00	0.00
Interest Paid	(7 500 000)	(3 000 000)	(10 500 000)	-	-	(10 500 000)	(4 639 158)	5 860 842	5 860 842	0.00	0.00
Suppliers Paid	(74 874 919)	1 270 512	(73 604 407)	-	-	(73 604 407)	(71 167 077)	2 437 330	2 437 330	0.00	0.00
Other Payments	-	-	-	-	-	-	(32 534 421)	-	(32 534 421)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(62 860 600)	3 611 945	(59 248 655)	-	-	(59 248 655)	(36 852 331)	22 396 324	22 396 324	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	(21 833)	-	(21 833)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	500 000	(500 000)	-	-	-	-	1 625 675	1 625 675	1 625 675	0.00	325.13
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	20 348 944	5 000 000	25 348 944	-	-	25 348 944	-	-	(25 348 944)	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	(12 413 393)	-	(12 413 393)	-	-	(12 413 393)	(13 998 279)	-	(1 584 886)	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>2 259 033</b>	<b>30 567 018</b>	<b>32 826 051</b>	<b>-</b>	<b>-</b>	<b>32 826 051</b>	<b>(12 793 252)</b>	<b>46 551 727</b>	<b>(45 619 303)</b>	<b>0.00</b>	<b>0.00</b>



RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>21 612 323</b>		<b>(18 970 178)</b>
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	679 090		(106 399)
Fines	(5 733)		260 593
Licences and Permits	(107 043)		32 720
Revenue for Agency Services	(185 794)		(495 688)
Government Grants and Subsidies Received	(11 762 057)		(20 409 880)
Public Contributions and Donations	21 340 948		(14 227 490)
<b>Revenue from Exchange Transactions</b>			
Service Charges	39 269 687		11 880 408
Rental of Facilities and Equipment	723 346		(565 275)
Interest Earned - External Investments	863 200		1 156 233
Interest Earned - Outstanding Debtors	-		-
Other Revenue	1 599 371		8 958 732
Gains on Disposal of Property, Plant and Equipment	-		500 000
Profit on Sale of Land	36 029 372		-
<b>Expenditure</b>			
Employee Related Costs	4 394 340		1 159 913
Remuneration of Councillors	8 821		(4 067)
Collection Costs	-		-
Depreciation and Amortisation	(16 851)		41 507 155
Impairment Losses	878 961		(171 454)
Repairs and Maintenance	(3 048 044)		12 079 714
Finance Costs	1 130 473		(2 860 842)
Bulk Purchases	-		14 509 517
Contracted Services	(991 589)		5 189 491
Grants and Subsidies Paid	(2 319 716)		16 003 526
General Expenses	(1 438 870)		(12 133 057)
Loss on Disposal of Property, Plant and Equipment	-		1 321 925
<b>Net surplus/deficit per approved budget</b>	<b>108 654 234</b>		<b>44 615 599</b>

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013**

**1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

*1.1 Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

*1.2 Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

**1.2 Critical Judgements, Estimations and Assumptions (continued)**

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

**1.2.1 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.2.2 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

**1.2.3 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.2 Critical Judgements, Estimations and Assumptions (continued)*

**1.2.3 Impairment of Financial Assets (continued)**

- ◆ Impairment of Trade Receivables:  
The calculation in respect of the impairment of Debtors is based on an combination of key indicators, such as the amount of times that a specific debtor was cut off during the financial year. This is performed per service-identifiable categories across all classes of debtors.

**1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets**

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

**1.2.5 Impairment: Write-down of Property, Plant and Equipment, and Inventories**

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.2 Critical Judgements, Estimations and Assumptions (continued)*

**1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)**

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year no impairments were made to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets or Inventory.

**1.2.6 Water Inventory**

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

**1.2.7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

**1.2.8 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

**1.2.9 Budget Information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

**1.3**     *Presentation Currency*

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

**1.4**     *Going Concern Assumption*

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

**1.5**     *Offsetting*

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**1.6**     *Standards, Amendments to Standards and Interpretations issued but not yet Effective*

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18     Segment Reporting - issued March 2005
- ◆ GRAP 20     Related Party Disclosures (Revised)
- ◆ GRAP 25     Employee Benefits - issued December 2009
- ◆ GRAP 105    Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106    Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107    Mergers - issued November 2010

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**1. BASIS OF PRESENTATION (continued)**

*1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)*

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors*.

The municipality applied, where applicable, the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- ◆ Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- ◆ Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- ◆ Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- ◆ Financial Instruments (GRAP 104 - issued October 2009)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**2. ACCUMULATED SURPLUS**

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

**2.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

**2.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).



**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**2. ACCUMULATED SURPLUS (continued)**

*2.3 Donations and Public Contributions Reserve*

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

*2.4 Government Grants Reserve*

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial Recognition**

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3.2 Subsequent Measurement**

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

**3.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

**3.3 Depreciation (continued)**

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

<b>Asset Class</b>	<b>Years</b>	<b>Asset Class</b>	<b>Years</b>
<b>Buildings</b>		<b>Other</b>	
Improvements	5 - 100	Bins and Containers	5 - 15
<b>Infrastructure</b>		Computer Equipment	3 - 10
Electricity	3 - 55	Emergency Equipment	3 - 10
Roads and Paving	3 - 100	Furniture and Fittings	3 - 15
Sanitation	7 - 55	Motor Vehicles	4 - 15
Sewerage	7 - 100	Office Equipment	3 - 15
Water	5 - 100	Plant and Equipment	2 - 15
<b>Community</b>		Specialist Vehicles	10 - 20
Community Facilities	5 - 60	Other Assets	25 - 30
Recreational Facilities	10 - 60		

Further details with regard to the Estimated Useful Lives of specific assets can be found in Annexure A of the municipality's Asset Management Policy.

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

**3.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

**3.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

**3.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

*3.7 Derecognition of Property, Plant and Equipment*

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

**4. INTANGIBLE ASSETS**

*4.1 Initial Recognition*

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**4. INTANGIBLE ASSETS (continued)**

**4.1 Initial Recognition (continued)**

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**4.2 Subsequent Measurement, Amortisation and Impairment**

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**4. INTANGIBLE ASSETS (continued)**

*4.2 Subsequent Measurement, Amortisation and Impairment (continued)*

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Computer Software	2 - 5		

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

*4.3 Derecognition*

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

**5. INVESTMENT PROPERTY**

*5.1 Initial Recognition*

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Property is initially measured at its fair value. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**5. INVESTMENT PROPERTY (continued)**

*5.1 Initial Recognition (continued)*

If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset.

After initial recognition, all investment property shall be measured at fair value. The fair value of investment property shall be determined annually at reporting date in terms of GRAP 16.88(e). The fair value should reflect market conditions and circumstances as at the reporting date.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- ◆ Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- ◆ Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is leased to another entity under a finance lease;



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- ◆ Property held to provide goods and services and also generates cash inflows;  
and
- ◆ Property held for strategic purposes which would be accounted for in accordance  
with the Standard of GRAP on Property, Plant and Equipment.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**5. INVESTMENT PROPERTY (continued)**

**5.2 Subsequent Measurement**

Investment Property is measured using the *Fair Value Model*.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**5.3 Derecognition**

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**6. HERITAGE ASSETS**

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

**6.1 Initial Recognition**

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**6. HERITAGE ASSETS (continued)**

**6.1 Initial Recognition (continued)**

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

**6.2 Subsequent Measurement**

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

**6.3 Derecognition**

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

**6.4 Transitional Provisions**

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**7. IMPAIRMENT OF ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

**7.1 Impairment of Cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
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**7. IMPAIRMENT OF ASSETS (continued)**

*7.2 Impairment of Non-cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS**

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

**Initial Recognition**

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Fair Value Methods and Assumptions**

The fair values of Financial Instruments are determined as follows:

- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

**The Effective Interest Rate Method**

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

**Amortised Cost**

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS (continued)**

**8.1 Financial Assets – Classification**

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**8. FINANCIAL INSTRUMENTS (continued)**

*8.1 Financial Assets – Classification (continued)*

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

*8.2 Financial Liabilities – Classification*

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Creditors	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

*Financial Liabilities that are measured at Fair Value* are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).



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**8. FINANCIAL INSTRUMENTS (continued)**

*8.3 Initial and Subsequent Measurement*

**8.3.1 Financial Assets:**

**Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

**Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

**8.3.2 Financial Liabilities:**

**Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

**Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

**GAMAGARA MUNICIPALITY**  
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**8. FINANCIAL INSTRUMENTS (continued)**

**8.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

**8.4.1 Financial Assets at Amortised Cost**

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**8. FINANCIAL INSTRUMENTS (continued)**

*8.4 Impairment of Financial Assets (continued)*

**8.4.2 Financial Assets at Cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

*8.5 Derecognition of Financial Assets*

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

*8.6 Derecognition of Financial Liabilities*

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**9. INVENTORIES**

**9.1 Initial Recognition**

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

**9.2 Subsequent Measurement**

**9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

**9.2.2 Water Inventory:**

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**9. INVENTORIES (continued)**

**9.2.3 Unsold Properties:**

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

**9.2.4 Other Inventories:**

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**10. NON-CURRENT ASSETS HELD-FOR-SALE**

**10.1 Initial Recognition**

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**10. NON-CURRENT ASSETS HELD-FOR-SALE (continued)**

*10.2 Subsequent Measurement*

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

**11. REVENUE RECOGNITION**

*11.1 General*

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.1 General (continued)*

Revenue from *Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

*11.2 Revenue from Exchange Transactions*

**11.2.1 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**11.2.2 Prepaid Electricity**

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
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**11. REVENUE RECOGNITION (continued)**

*11.2 Revenue from Exchange Transactions (continued)*

**11.2.3 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

**11.2.4 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

**11.2.5 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**11.2.6 Revenue from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

**11.2.7 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ◆ The amount of revenue can be measured reliably;
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.



**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**11. REVENUE RECOGNITION (continued)**

*11.3 Revenue from Non-exchange Transactions*

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**11.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**11.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**11. REVENUE RECOGNITION (continued)**

*11.3 Revenue from Non-exchange Transactions (continued)*

**11.3.3 Public Contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

**11.3.4 Government Grants and Receipts**

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
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**11. REVENUE RECOGNITION (continued)**

*11.3 Revenue from Non-exchange Transactions (continued)*

**11.3.4 Government Grants and Receipts (continued)**

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

**12. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**12. PROVISIONS (continued)**

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

**13. EMPLOYEE BENEFITS**

*13.1 Short-term Employee Benefits*

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**13. EMPLOYEE BENEFITS (continued)**

*13.2 Post-employment Benefits*

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

**13.2.1 Defined Contribution Plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**13.2.2 Defined Benefit Plans**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

**Post-retirement Health Care Benefits:**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

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**13. EMPLOYEE BENEFITS (continued)**

*13.2 Post-employment Benefits (continued)*

**13.2.2 Defined Benefit Plans (continued)**

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**Long-service Allowance:**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

**Provincially-administered Defined Benefit Plans:**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

**Defined Benefit Pension Plans:**

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

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**13. EMPLOYEE BENEFITS (continued)**

*13.2 Post-employment Benefits (continued)*

**13.2.2 Defined Benefit Plans (continued)**

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

**14. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**15. LEASES**

*15.1 Classification*

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

*15.2 The Municipality as Lessee*

**15.2.1 Operating Leases**

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*15.3 The Municipality as Lessor*

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

**16. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).



**GAMAGARA MUNICIPALITY**  
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**17. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**18. IRREGULAR EXPENDITURE**

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

**21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES**

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

**22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

**GAMAGARA MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**23. COMMITMENTS**

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

**24. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**25. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

**GAMAGARA MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

**26. COMPARATIVE INFORMATION**

*26.1 Current year comparatives:*

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

*26.2 Prior year comparatives:*

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

*26.3 Budget Information:*

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2011 to 30 June 2012.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>1. GENERAL INFORMATION</b>		

Gamagara Municipality is a local government institution in Kathu, Northern Cape, and is one of four local municipalities under the jurisdiction of the John Taolo Gaetsewe District. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Fuel & Consumables	184 293	360 436
Water - at cost	776 023	1 566 720
<b>Total Inventories</b>	<b>960 316</b>	<b>1 927 156</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost.

The cost of water production for the year amounted to R4,16 per kilolitre (2012: R3,80 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. NON-CURRENT ASSETS HELD-FOR-SALE**

No Non-current Assets are held for disposal.

Property Held-for-Sale - at cost	14 690 600	16 433 600
<b>Net Non-current Assets Held-for-Sale</b>	<b>14 690 600</b>	<b>16 433 600</b>

**3.1 Property Held-for-Sale**

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2013.

**4. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2013</b>			
Service Debtors:	41 888 264	19 045 655	22 842 609
Electricity	9 429 929	2 639 356	6 790 573
Refuse	10 584 253	7 964 145	2 620 108
Sewerage	3 908 318	1 524 169	2 384 149
Water	17 965 764	6 917 984	11 047 780
Other Receivables	1 431 131	1 175 192	255 938
<b>Total Receivables from Exchange Transactions</b>	<b>43 319 395</b>	<b>20 220 847</b>	<b>23 098 548</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2012</b>			
Service Debtors:	25 435 277	13 484 145	11 951 132
Electricity	5 855 521	1 856 042	3 999 480
Refuse	7 762 521	5 466 482	2 296 039
Sewerage	2 557 366	1 238 933	1 318 433
Water	9 259 869	4 922 688	4 337 181
Other Receivables	1 377 164	989 996	387 168
<b>Total Receivables from Exchange Transactions</b>	<b>26 812 441</b>	<b>14 474 141</b>	<b>12 338 301</b>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables as per the municipality's credit control policy.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**4.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2013**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Electricity:</b>					
Gross Balances	3 752 346	1 473 027	825 123	3 379 433	9 429 929
Less: Provision for Impairment	2 996	1 822	1 730	2 632 808	2 639 356
<b>Net Balances</b>	<b>3 749 350</b>	<b>1 471 205</b>	<b>823 393</b>	<b>746 625</b>	<b>6 790 573</b>
<b>Refuse:</b>					
Gross Balances	1 019 070	541 597	412 277	8 611 309	10 584 253
Less: Provision for Impairment	4 022	680	687	7 958 756	7 964 145
<b>Net Balances</b>	<b>1 015 048</b>	<b>540 917</b>	<b>411 590</b>	<b>652 552</b>	<b>2 620 108</b>
<b>Sewerage:</b>					
Gross Balances	1 734 446	295 117	174 556	1 704 199	3 908 318
Less: Provision for Impairment	4 724	605	504	1 518 336	1 524 169
<b>Net Balances</b>	<b>1 729 722</b>	<b>294 511</b>	<b>174 053</b>	<b>185 863</b>	<b>2 384 149</b>
<b>Water:</b>					
Gross Balances	7 721 600	1 199 904	866 696	8 177 564	17 965 764
Less: Provision for Impairment	19 479	4 922	5 157	6 888 427	6 917 984
<b>Net Balances</b>	<b>7 702 121</b>	<b>1 194 982</b>	<b>861 539</b>	<b>1 289 137</b>	<b>11 047 780</b>
<b>Other Receivables:</b>					
Gross Balances	112 163	95 276	14 961	1 208 730	1 431 131
Less: Provision for Impairment	316	909	122	1 173 846	1 175 192
<b>Net Balances</b>	<b>111 848</b>	<b>94 367</b>	<b>14 839</b>	<b>34 885</b>	<b>255 938</b>

As at 30 June Receivables of R8 790 459 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	3 604 921	2 293 613	23 081 235	28 979 769
Less: Provision for Impairment	8 938	8 199	20 172 173	20 189 310
<b>Net Balances</b>	<b>3 595 982</b>	<b>2 285 414</b>	<b>2 909 062</b>	<b>8 790 459</b>

**4.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	<b>Household</b>	<b>Industrial/ Commercial</b>	<b>National and Provincial Government</b>	<b>Other</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>As at 30 June 2013</b>				
<u>Current:</u>				
0 - 30 days	9 218 139	4 888 811	232 675	-
<u>Past Due:</u>				
31 - 60 Days	1 973 926	1 356 782	274 213	-
61 - 90 Days	1 421 538	747 756	124 318	-
+ 90 Days	19 179 814	2 887 334	1 014 087	-
Sub-total	31 793 417	9 880 684	1 645 294	-
Less: Provision for Impairment	17 195 386	2 145 018	880 443	-
<b>Total Trade Receivables by Customer Classification</b>	<b>14 598 031</b>	<b>7 735 666</b>	<b>764 851</b>	<b>-</b>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>
<b>4.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	14 474 141	14 474 141
Impairment Losses recognised	6 579 138	-
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(832 432)	-
Amounts recovered	-	-
<b>Balance at end of year</b>	<b>20 220 847</b>	<b>14 474 141</b>

**4.4 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2013</b>			
Assessment Rates Debtors	11 220 349	7 155 732	4 064 617
Payments made in Advance	2 773 506	-	2 773 506
Sundry Deposits	1 905 000	-	1 905 000
Sale of Stands	5 114 700	-	5 114 700
Suspense Accounts	6 771 672	-	6 771 672
<b>Total Receivables from Non-exchange Transactions</b>	<b>27 785 227</b>	<b>7 155 732</b>	<b>20 629 495</b>
	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2012</b>			
Assessment Rates Debtors	8 961 945	6 934 392	2 027 553
Payments made in Advance	-	-	-
Sundry Deposits	1 905 000	-	1 905 000
Sale of Stands	-	-	-
Suspense Accounts	4 629 559	-	4 629 559
<b>Total Receivables from Non-exchange Transactions</b>	<b>15 496 503</b>	<b>6 934 392</b>	<b>8 562 112</b>

The average credit period for Receivables is 30 days. No interest is charged on Receivables as per the municipality's credit control policy.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**5.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2013**

<b>Current</b>	<b>Past Due</b>			<b>Total</b>
<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

**Assessment Rates:**

Gross Balances	1 843 263	708 713	583 886	8 084 486	11 220 349
Less: Provision for Impairment	9 117	5 949	7 923	7 132 743	7 155 732
<b>Net Balances</b>	<b>1 834 146</b>	<b>702 764</b>	<b>575 963</b>	<b>951 744</b>	<b>4 064 617</b>

As at 30 June Receivables of R2 230 471 were past due but not impaired. The age analysis of these Receivables are as follows:

<b>Past Due</b>			<b>Total</b>
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

**All Receivables:**

Gross Balances	708 713	583 886	8 084 486	9 377 085
Less: Provision for Impairment	5 949	7 923	7 132 743	7 146 614
<b>Net Balances</b>	<b>702 764</b>	<b>575 963</b>	<b>951 744</b>	<b>2 230 471</b>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
<b>5.2 Summary of Assessment Rates Debtors by Customer Classification</b>				
	Household  R	Industrial/ Commercial  R	National and Provincial Government  R	Other  R
<b>As at 30 June 2013</b>				
<i>Current:</i>				
0 - 30 days	764 707	1 060 065	18 492	-
<i>Past Due:</i>				
31 - 60 Days	357 448	334 734	16 531	-
61 - 90 Days	332 210	235 408	16 267	-
+ 90 Days	3 083 489	4 897 507	103 490	-
Sub-total	4 537 855	6 527 714	154 780	-
Less: Provision for Impairment	2 811 709	4 254 184	89 839	-
<b>Total Rates Debtors by Customer Classification</b>	<b>1 726 146</b>	<b>2 273 530</b>	<b>64 941</b>	<b>-</b>
			<b>2013 R</b>	<b>2012 R</b>
<b>5.3 Reconciliation of Provision for Impairment</b>				
Balance at beginning of year			6 934 392	6 934 392
Impairment Losses recognised			238 140	-
Impairment Losses reversed			-	-
Amounts written off as uncollectable			(16 799)	-
Amounts recovered			-	-
<b>Balance at end of year</b>			<b>7 155 732</b>	<b>6 934 392</b>

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

**6. VAT RECEIVABLE**

Vat Receivable	<b>971 520</b>	<b>2 950 593</b>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.



**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>7. CASH AND CASH EQUIVALENTS</b>		
Current Investments	2 489 936	4 342 676
Bank Accounts	-	-
Bank Overdraft	(23 382 157)	(13 822 736)
Cash and Cash Equivalents	1 800	1 800
<b>Total Bank, Cash and Cash Equivalents</b>	<b>(20 890 421)</b>	<b>(9 478 260)</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**7.1 Current Investment Deposits**

Call Deposits	2 489 936	4 342 676
Notice Deposits	-	-
<b>Total Current Investment Deposits</b>	<b>2 489 936</b>	<b>4 342 676</b>

**7.2 Bank Accounts**

Cash in Bank	-	-
Bank Overdraft	(23 382 157)	(13 822 736)
<b>Total Bank Accounts</b>	<b>(23 382 157)</b>	<b>(13 822 736)</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*FIRST NATIONAL BANK -KATHU Branch - Account Number 53668 006 069:*

Cash book balance at beginning of year	(13 822 736)	(1 372 516)
Cash book balance at end of year	(23 382 157)	(13 822 736)
Bank statement balance at beginning of year	792 432	11 708 166
Bank statement balance at end of year	11 547 734	792 432

**7.3 Cash and Cash Equivalents**

Cash Floats and Advances	1 800	1 800
Other Cash Equivalents	-	-
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>1 800</b>	<b>1 800</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**8 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2013**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2012</b>	<b>306 406 038</b>	<b>627 173 678</b>	<b>91 149 435</b>	<b>15 796 746</b>	<b>(0)</b>	<b>1 040 525 897</b>
Cost	320 827 185	1 178 361 756	125 715 380	18 906 054	-	1 643 810 375
- Completed Assets	320 533 310	1 153 308 169	125 156 423	18 906 054	-	1 617 903 956
- Under Construction	293 875	25 053 587	558 958	-	-	25 906 419
Correction of error (Note 35)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(14 421 147)	(551 188 078)	(34 565 945)	(3 109 308)	(0)	(603 284 478)
- Cost	(14 421 147)	(551 188 078)	(34 565 945)	(3 109 308)	(0)	(603 284 478)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	8 126 845	43 800	3 637 902	-	11 808 547
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	4 519 297	45 491 253	8 751 902	-	-	58 762 452
- Cost	4 519 297	45 491 253	8 751 902	-	-	58 762 452
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(4 107 872)	(40 422 066)	(7 182 309)	(2 231 977)	-	(53 944 224)
- Based on Cost	(4 107 872)	(40 422 066)	(7 182 309)	(2 231 977)	-	(53 944 224)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	(510 000)	-	-	-	-	(510 000)
- Cost	(510 000)	-	-	-	-	(510 000)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	(2 240 578)	(24 186 324)	(2 603 752)	-	-	(29 030 654)
Other Movements	2 240 578	24 186 324	2 603 752	-	-	29 030 654
- Cost	2 240 578	24 186 324	2 603 752	-	-	29 030 654
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
<b>Carrying values at 30 June 2013</b>	<b>306 307 462</b>	<b>640 369 710</b>	<b>92 762 828</b>	<b>17 202 671</b>	<b>(0)</b>	<b>1 056 642 672</b>
Cost	324 836 482	1 231 979 854	134 511 082	22 543 956	-	1 713 871 374
- Completed Assets	322 263 889	1 185 621 338	127 803 975	22 543 956	-	1 658 233 158
- Under Construction	2 572 593	46 358 516	6 707 107	-	-	55 638 217
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(18 529 020)	(591 610 144)	(41 748 254)	(5 341 285)	(0)	(657 228 703)
- Cost	(18 529 020)	(591 610 144)	(41 748 254)	(5 341 285)	(0)	(657 228 703)
- Revaluation	-	-	-	-	-	-

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**8 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2012**

**Reconciliation of Carrying Value**

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2011</b>	<b>312 002 752</b>	<b>633 797 417</b>	<b>95 847 904</b>	<b>15 500 744</b>	<b>(0)</b>	<b>1 057 148 817</b>
Cost	323 174 160	1 145 595 522	124 233 372	16 902 715	-	1 609 905 770
- Completed Assets	323 174 160	1 107 305 115	118 465 884	16 902 715	-	1 565 847 874
- Under Construction	-	38 290 407	5 767 488	-	-	44 057 895
Correction of error (Note 35)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(11 171 408)	(511 798 105)	(28 385 468)	(1 401 971)	(0)	(552 756 952)
- Cost	(11 171 408)	(511 798 105)	(28 385 468)	(1 401 971)	(0)	(552 756 952)
- Revaluation	-	-	-	-	-	-
Acquisitions	306 750	397 124	481 787	2 003 339	-	3 188 999
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	293 875	32 369 236	1 000 222	-	-	33 663 332
- Cost	293 875	32 369 236	1 000 222	-	-	33 663 332
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(3 249 739)	(39 389 973)	(6 180 477)	(1 707 337)	-	(50 527 526)
- Based on Cost	(3 249 739)	(39 389 973)	(6 180 477)	(1 707 337)	-	(50 527 526)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	(2 947 600)	-	-	-	-	(2 947 600)
- Cost	(2 947 600)	-	-	-	-	(2 947 600)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	(45 606 056)	(6 208 752)	-	-	(51 814 808)
Other Movements	-	45 605 931	6 208 752	-	-	51 814 683
- Cost	-	45 605 931	6 208 752	-	-	51 814 683
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
<b>Carrying values at 30 June 2012</b>	<b>306 406 038</b>	<b>627 173 678</b>	<b>91 149 435</b>	<b>15 796 746</b>	<b>(0)</b>	<b>1 040 525 897</b>
Cost	320 827 185	1 178 361 756	125 715 380	18 906 054	-	1 643 810 375
- Completed Assets	320 533 310	1 153 308 169	125 156 423	18 906 054	-	1 617 903 956
- Under Construction	293 875	25 053 587	558 958	-	-	25 906 419
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(14 421 147)	(551 188 078)	(34 565 945)	(3 109 308)	(0)	(603 284 478)
- Cost	(14 421 147)	(551 188 078)	(34 565 945)	(3 109 308)	(0)	(603 284 478)
- Revaluation	-	-	-	-	-	-

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>9 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>1 239 837</b>	<b>1 076 520</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2012</b>	<b>1 076 520</b>	<b>1 076 520</b>
Cost	1 199 779	1 199 779
Work-in-Progress	-	-
Accumulated Amortisation	(123 259)	(123 259)
Acquisitions:	429 190	429 190
Purchased	429 190	429 190
Reversal of Impairment Losses	-	-
Amortisation:	(265 873)	(265 873)
Purchased	(265 873)	(265 873)
<b>Carrying values at 30 June 2013</b>	<b>1 239 837</b>	<b>1 239 837</b>
Cost	1 628 968	1 628 968
Work-in-Progress	-	-
Accumulated Amortisation	(389 132)	(389 132)
	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2011</b>	<b>1 172 316</b>	<b>1 172 316</b>
Cost	1 177 946	1 177 946
Work-in-Progress	-	-
Accumulated Amortisation	(5 630)	(5 630)
Acquisitions:	21 833	21 833
<b>Carrying values at 30 June 2012</b>	<b>1 076 520</b>	<b>1 076 520</b>
Cost	1 199 779	1 199 779
Work-in-Progress	-	-
Accumulated Amortisation	(123 259)	(123 259)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**9.1 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>10 INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<u>8 975 661</u>	<u>8 975 661</u>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>8 975 661</b>	<b>8 975 661</b>
Cost	-	-
Fair Value	8 975 661	8 975 661
Acquisitions during the Year	-	-
<b>Carrying values at 30 June</b>	<b>8 975 661</b>	<b>8 975 661</b>
Cost	-	-
Fair Value	8 975 661	8 975 661
<b>Estimated Fair Value of Investment Property at 30 June</b>	<u><b>8 975 661</b></u>	<u><b>8 975 661</b></u>

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**10.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**10.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**11 CONSUMER DEPOSITS**

Electricity and Water	4 091 749	3 491 987
<b>Total Consumer Deposits</b>	<u><b>4 091 749</b></u>	<u><b>3 491 987</b></u>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u><b>1 775 596</b></u>	<u><b>1 775 596</b></u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>12 PROVISIONS</b>		
Performance Bonuses	115 202	168 523
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	1 330 947	964 909
Current Portion of Non-Current Provisions (See Note 22):	438 357	489 820
Long-term Service	438 357	489 820
Rehabilitation of Land-fill Sites	-	-
<b>Total Provisions</b>	<b>1 884 506</b>	<b>1 623 252</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

The movement in provisions are reconciled as follows:

**Current Provisions:**

**Performance Bonuses:**

Balance at beginning of year	168 523	168 523
Contributions to provision	(53 322)	-
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>115 202</b>	<b>168 523</b>

**Current Portion of Non-Current Provisions:**

	Long-term Service R	Post-retirement R
<b>30 June 2013</b>		
Balance at beginning of year	489 820	964 909
Transfer from non-current	-	-
Contributions to provision	(51 463)	366 038
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>438 357</b>	<b>1 330 947</b>
	Long-term Service R	Post-retirement R
<b>30 June 2012</b>		
Balance at beginning of year	453 215	774 338
Transfer from non-current	-	-
Contributions to provision	36 605	190 571
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>489 820</b>	<b>964 909</b>
	2013 R	2012 R

**13 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	673 685	5 157 483
Retentions	-	-
Other Creditors	-	-
<b>Total Payables</b>	<b>673 685</b>	<b>5 157 483</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Payments Received In Advance	4 122 592	2 843 055
Staff Leave	4 666 249	2 687 969
Sundry Deposits	1 206 383	950 629
Suspense Accounts	2 020 593	976 675
<b>Total Payables</b>	<b>12 015 817</b>	<b>7 458 328</b>
<p><b>Staff Leave</b> accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.</p> <p>No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.</p>		
<b>15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>15.1 Conditional Grants from Government</b>	<b>1 896 690</b>	<b>3 412 149</b>
National Government Grants	-	-
Provincial Government Grants	1 896 690	3 412 149
Local Government Grants	-	-
Other Spheres of Government	-	-
<b>15.2 Other Conditional Receipts</b>	<b>0</b>	<b>0</b>
Public Contributions	0	0
<b>Total Conditional Grants and Receipts</b>	<b>1 896 690</b>	<b>3 412 149</b>
<p>The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.</p> <p>See Note 21 for the reconciliation of Grants from Government and Note 22 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.</p> <p>Refer to Appendix "F" for more detail on Conditional Grants.</p>		
<b>16 LONG-TERM LIABILITIES</b>		
<p>The municipality did not have any liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end.</p>		
Local Registered Stock	-	-
Annuity Loans	37 672 580	41 326 929
Finance Lease Liabilities	(0)	99 806
Government Loans	-	-
Other Loans	-	-
Sub-total	37 672 580	41 426 735
Less: Current Portion transferred to Current Liabilities:-	4 011 996	3 754 155
Local Registered Stock	-	-
Annuity Loans	4 011 996	3 654 349
Finance Lease Liabilities	-	99 806
Government Loans	-	-
Other Loans	-	-
<b>Total Long-term Liabilities (Neither past due, nor impaired)</b>	<b>33 660 584</b>	<b>37 672 580</b>
	<b>2013 R</b>	<b>2012 R</b>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>17 RETIREMENT BENEFIT LIABILITIES</b>		
<b>17.1 Post-retirement Health Care Benefits Liability</b>		
Balance at beginning of Year	18 058 135	17 692 117
Current Service Cost	964 909	774 338
Increase due to Discounting	1 422 330	1 511 850
Actuarial Gain/Loss + Expected Employer Benefit Payments	1 846 810	(1 920 170)
Balance at end of Year	<u>22 292 184</u>	<u>18 058 135</u>
Current Portion	(1 330 947)	(964 909)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b><u>20 961 237</u></b>	<b><u>17 093 226</u></b>
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p>		
<p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p>		
<p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members	211	169
Continuation Members (Retirees, widowers and orphans)	16	16
<b>Total Members</b>	<b><u>227</u></b>	<b><u>185</u></b>
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	14 931 425	10 885 991
Continuation Members	7 360 759	7 172 144
<b>Total Liability</b>	<b><u>22 292 184</u></b>	<b><u>18 058 135</u></b>
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> <li>- Bonitas</li> <li>- Keyhealth</li> <li>- LA Health</li> <li>- Samwumed</li> </ul>		
<p>The Current-service Cost for the year ending 30 June 2013 is estimated to be R964 909, whereas the cost for the ensuing year is estimated to be R2 177 341 (30 June 2012: R774 338 and R964 909 respectively).</p>		
<p><b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b></p>		
Discount Rate	9.05%	7.98%
Health Care Cost Inflation Rate	7.83%	6.96%
Net Effective Discount Rate	1.13%	0.96%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
<p><b>Movements in the present value of the Defined Benefit Obligation were as follows:</b></p>		
Balance at the beginning of the year	18 058 135	17 692 117
Current service costs	964 909	774 338
Interest cost	1 422 330	1 511 850
Past-service costs	-	-
Benefits paid	(490 272)	(595 752)
Actuarial losses / (gains)	2 337 082	(1 324 418)
<b>Total Recognised Benefit Liability</b>	<b><u>22 292 184</u></b>	<b><u>18 058 135</u></b>
<p><b>The amounts recognised in the Statement of Financial Position are as follows:</b></p>		
Present value of fund obligations	<u>22 292 184</u>	<u>18 058 135</u>
<b>Total Benefit Liability</b>	<b><u>22 292 184</u></b>	<b><u>18 058 135</u></b>
<p><b>The amounts recognised in the Statement of Financial Performance are as follows:</b></p>		
Current service cost	964 909	774 338
Interest cost	1 422 330	1 511 850
Actuarial losses / (gains)	2 337 082	(1 324 418)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 27)</b>	<b><u>4 724 321</u></b>	<b><u>962 801</u></b>



**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
	2013 R	2012 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	2 892 300	2 736 200
Effect on the defined benefit obligation	-	0
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	1 992 600	1 930 600
Effect on the defined benefit obligation	-	-

**18 NON-CURRENT PROVISIONS**

Provision for Long Service Awards	3 673 967	3 040 627
Provision for Rehabilitation of Land-fill Sites	3 764 035	2 672 608
<b>Total Non-current Provisions</b>	<b>7 438 002</b>	<b>5 713 235</b>

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
<b>30 June 2013</b>		
Balance at beginning of year	3 530 447	2 672 608
Contributions to provision	331 524	1 091 427
Increase due to discounting	212 103	-
Current Service Cost - Employer Benefits Vesting	38 250	-
	4 112 324	3 764 035
Current Portion	(438 357)	-
<b>Balance at end of year</b>	<b>3 673 967</b>	<b>3 764 035</b>
	Long-service Awards R	Land-fill Sites R
<b>30 June 2012</b>		
Balance at beginning of year	2 909 523	3 323 758
Contributions to provision	389 662	(651 150)
Increase due to discounting	203 329	-
Current Service Cost - Employer Benefits Vesting	27 933	-
	3 530 447	2 672 608
Current Portion	(489 820)	-
<b>Balance at end of year</b>	<b>3 040 627</b>	<b>2 672 608</b>

**18.1 Long Service Awards**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**                      **2012**  
**R**

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 363 (2012: 300) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R489 820, whereas the cost for the ensuing year is estimated to be R972 461 (30 June 2012: R453 215 and R489 820 respectively).

**2013**  
**R**                      **2012**  
**R**

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	7.27%	6.41%
Cost Inflation Rate	6.81%	6.03%
Net Effective Discount Rate	0.43%	0.36%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	3 530 447	2 909 523
Current service costs	489 820	453 215
Interest cost	212 103	203 329
Benefits paid	(451 570)	(425 282)
Actuarial losses / (gains)	331 524	389 662

**Total Recognised Benefit Liability**

<b>4 112 324</b>	<b>3 530 447</b>
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**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	4 112 324	3 530 447
Fair value of plan assets	-	-
<b>Total Benefit Liability</b>	<b>4 112 324</b>	<b>3 530 447</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	489 820	453 215
Interest cost	212 103	203 329
Actuarial losses / (gains)	331 524	389 662
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 27)</b>	<b>1 033 447</b>	<b>1 046 206</b>

**2013**  
**R**                      **2012**  
**R**

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	748 700	692 971
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**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	660 500	624 020
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**18.2 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

**19 ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Accumulated Surplus / (Deficit) due to the results of Operations	1 019 683 960	997 935 184
<b>Total Accumulated Surplus</b>	<b>1 019 683 960</b>	<b>997 935 184</b>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

			2013 R	2012 R
<b>20 PROPERTY RATES</b>				
	<b>Property Valuations</b>			<b>Actual Levies</b>
	<b>July 2013 R000's</b>	<b>July 2012 R000's</b>		
Commercial and Residential	3 147 329 500	3 147 329 500	20 320 910	17 274 067
<b>Total Property Rates</b>	<b>3 147 329 500</b>	<b>3 147 329 500</b>	<b>20 320 910</b>	<b>17 274 067</b>

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

			2013 R	2012 R
<b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>				
National Equitable Share			20 705 000	17 622 000
Other Subsidies			1 228 942	601 193
<b>Operational Grants</b>			21 933 942	18 223 193
<b>Conditional Grants</b>			48 761 071	44 852 487
National : Finance Management Grant (Fmg)			1 500 000	1 450 000
National : Municipal Infrastructure Grant (Mig)			10 697 000	14 249 000
National : Municipal Systems Improvement Grant (Msig)			800 000	790 000
National : Dept Of Minerals & Energy			-	2 073 000
Provincial : Department Local Gov & Housing			12 861 904	13 995 545
Provincial : Dept Of Culture & Arts - Sport			1 334 367	165 633
Provincial : Dept Of Public Works: Epwp Program			1 000 000	-
Provincial : Dept Of Water Affairs & Forestry			20 567 800	12 129 309
<b>Total Government Grants and Subsidies</b>			<b>70 695 012</b>	<b>63 075 680</b>

*Government Grants and Subsidies* have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies for Library Books donated. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

**Operational Grants:**

<b>21.1 National: Equitable Share</b>	<b>20 705 000</b>	<b>17 622 000</b>
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2012: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

**Conditional Grants:**

**21.2 National: FMG Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 450 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 450 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**21.3 National: MIG Funds**

Balance unspent at beginning of year	-	-
Current year receipts	10 697 000	14 249 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(10 697 000)	(14 249 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>21.4 National: MSIG Funds</b>		
Balance unspent at beginning of year	-	-
Current year receipts	800 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	(800 000)	(790 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**21.5 National: Department of Minerals and Energy**

Balance unspent at beginning of year	-	-
Current year receipts	-	2 073 000
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(2 073 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

No funds have been withheld.

**21.6 Provincial: Department Local Government and Housing**

Balance unspent at beginning of year	887 793	3 405 200
Current year receipts	13 096 793	11 478 138
Conditions met - transferred to Revenue: Operating Expenses	(12 861 904)	(13 995 545)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>1 122 683</b>	<b>887 793</b>

No funds have been withheld.

**21.7 Provincial: Department Culture and Arts - Sport**

Balance unspent at beginning of year	1 334 367	1 500 000
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1 334 367)	(165 633)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>0</b>	<b>1 334 367</b>

No funds have been withheld.

**21.8 Provincial: Department of Public Works**

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1 000 000)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

No funds have been withheld.

**21.9 Provincial: Department of Water Affairs**

Balance unspent at beginning of year	1 131 778	-
Current year receipts	20 111 363	13 261 088
Conditions met - transferred to Revenue: Operating Expenses	(1 131 778)	-
Conditions met - transferred to Revenue: Capital Expenses	(19 436 022)	(12 129 309)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<b>675 341</b>	<b>1 131 778</b>

No funds have been withheld.

**21.10 Changes in levels of Government Grants**

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2013), government grant funding is expected to increase over the forthcoming three financial years.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>22 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Conditional Contributions:	-	-
Unconditional Contributions	-	-
Other Donations	22 418 867	14 227 490
<b>Total Public Contributions and Donations</b>	<b>22 418 867</b>	<b>14 227 490</b>
<b>23 SERVICE CHARGES</b>		
Sale of Electricity	72 257 608	57 316 452
Sale of Water	34 351 011	26 108 552
Refuse Removal	11 593 158	9 408 464
Sewerage and Sanitation Charges	10 675 332	8 159 718
Other Service Charges	24 398 237	2 609 784
<b>Total Service Charges</b>	<b>153 275 346</b>	<b>103 602 970</b>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>24 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Amenities	1 149 684	1 841 697
Rental Revenue from Land	21 147	19 681
Rental Revenue from Other Facilities	423 388	475 717
<b>Total Rental of Facilities and Equipment</b>	<b>1 594 220</b>	<b>2 337 095</b>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
<b>25 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	-	-
Investments	120 461	288 897
Other Deposits	16 340	54 870
	<b>136 800</b>	<b>343 767</b>
<b>Outstanding Debtors:</b>		
Long-term Debtors	-	-
Outstanding Billing Debtors	-	-
	<b>-</b>	<b>-</b>
<b>Total Interest Earned</b>	<b>136 800</b>	<b>343 767</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	120 461	288 897
Held-to-Maturity Investments	16 340	54 870
Loans and Receivables	-	-
	<b>136 800</b>	<b>343 767</b>
<b>26 OTHER REVENUE</b>		
Amp Changes Fees	-	153
Cemetry Fees	15 926	27 486
Collection Charges	38 564	37 079
Connection Fees	729 716	615 298
Creditors Discount Received	-	14 972
Entrance Fees	178 680	192 500
Insurance Claim	1 686 071	2 253 423
Photocopies	19 635	26 276
Refuse Removal Fee	17 090	-
Sundry Revenue	1 382 037	324 962
Tender Documents	28 830	25 300
Valuation Roll Fee	38 014	46 059
Various Sales	539 392	616 169
<b>Total Other Revenue</b>	<b>4 673 954</b>	<b>4 179 677</b>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>27 EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	44 008 028	37 467 439
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	10 672 827	8 677 330
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 062 926	2 381 467
Housing Benefits and Allowances	931 796	882 262
Overtime Payments	5 986 495	5 359 475
Defined Benefit Plan Expense:	4 815 926	986 942
Current Service Cost	4 815 926	986 942
Interest Cost	-	-
Net Actuarial (gains)/losses recognised	-	-
<b>Total Employee Related Costs</b>	<b>68 477 997</b>	<b>55 754 916</b>

No advances or loans were made to employees.

**Remuneration of Section 57 Employees:**

***Remuneration of the Municipal Manager - C Itumeleng***

Annual Remuneration	838 733	733 150
Performance Bonus	-	-
Car and Other Allowances	251 789	247 819
Company Contributions to UIF, Medical and Pension Funds	10 406	3 646
<b>Total</b>	<b>1 100 928</b>	<b>984 615</b>

***Remuneration of the Chief Financial Officer - NM Grond***

Annual Remuneration	570 164	463 859
Performance Bonus	-	36 879
Car and Other Allowances	267 413	246 037
Company Contributions to UIF, Medical and Pension Funds	9 654	3 816
<b>Total</b>	<b>847 232</b>	<b>750 591</b>

The post was vacant as from 01 April 2013. An Acting Allowance was paid to Mr. NM Grond for the period.

***Remuneration of the Acting Manager: Community Services - GN Loeto***

Annual Remuneration	402 889	574 397
Performance Bonus	-	22 601
Car and Other Allowances	100 296	112 222
Company Contributions to UIF, Medical and Pension Funds	65 127	73 229
<b>Total</b>	<b>568 312</b>	<b>782 449</b>

The post was vacant until 28 February 2013 and Mr. GN Loeto was paid an Acting Allowance for the period.

***Community Services - R C APOOLS***

Annual Remuneration	190 114	-
Performance Bonus	-	-
Car and Other Allowances	40 018	-
Company Contributions to UIF, Medical and Pension Funds	2 497	-
<b>Total</b>	<b>232 628</b>	<b>-</b>

The post was vacant until 28 February 2013 and Mr. RC Apools was employed permanently in this position from 01 March 2013.

***Remuneration of the Acting Manager: Corporate Services - CM Phuti***

Annual Remuneration	484 149	462 893
Performance Bonus	-	22 601
Car and Other Allowances	133 727	103 462
Company Contributions to UIF, Medical and Pension Funds	86 076	72 491
<b>Total</b>	<b>703 953</b>	<b>661 447</b>

The post was vacant for the entire 2012/13 financial year, and an Acting Allowance was paid to Mr. CM Phuti for this period.

***Remuneration of the Acting Manager: Technical Services - KN Ositang***

Annual Remuneration	506 428	582 231
Performance Bonus	-	22 601
Car and Other Allowances	135 636	103 462
Company Contributions to UIF, Medical and Pension Funds	45 398	29 039
<b>Total</b>	<b>687 462</b>	<b>737 333</b>

The post was vacant until 30 April 2013. An Acting Allowance was paid to Mr. KN Ositang who was then permanently employed from 01 May 2013.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>28 REMUNERATION OF COUNCILLORS</b>		
Councillors	1 543 989	1 392 322
Company Contributions to UIF, Medical and Pension Funds	284 502	173 854
Other Allowances (Cellular Phones, Housing, Transport, etc)	539 446	639 003
<b>Total Councillors' Remuneration</b>	<b>2 367 938</b>	<b>2 205 178</b>

**Remuneration of Councillors:**

The Mayor has use of a Council owned vehicle for official duties.

**29 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	53 944 224	50 527 526
Amortisation: Intangible Assets	265 873	117 629
Depreciation: Investment Property	-	-
<b>Total Depreciation and Amortisation</b>	<b>54 210 097</b>	<b>50 645 155</b>

*Depreciation and Amortisation* have been restated to correctly disclose the expense on Library Books not previously recognised in terms of GRAP 17. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

**30 FINANCE COSTS**

Bank Overdraft	-	-
Creditors Overdue	93 183	18 188
Finance Leases	1 630	46 229
Landfill Provision	1 091 427	233 080
Loans and Payables at amortised cost	4 048 034	4 341 661
Operating Leases	-	-
<b>Total Interest Paid on External Borrowings</b>	<b>5 234 273</b>	<b>4 639 158</b>

**31 BULK PURCHASES**

Electricity	58 675 889	52 453 797
Water	8 786 362	5 441 721
<b>Total Bulk Purchases</b>	<b>67 462 250</b>	<b>57 895 517</b>

*Bulk Purchases* have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Sedibeng Water.

**32 CONTRACTED SERVICES**

Audit Com/ Audit Fee	-	-
Commission Paid	1 668 091	-
Contractors/Consultant Fees	-	-
Insurance	-	1 134 748
Internal Audit Fee	52 818	647 927
Intranet	-	-
Legal Costs	-	2 706 817
Licences & Permits	160 424	128 133
Professional Fees	-	435 145
Rentals Paid	406 863	506 827
Security Services	2 372 195	917 244
Valuation Of Properties	-	-
<b>Total Contracted Services</b>	<b>4 660 391</b>	<b>6 476 841</b>

*Contracted Services* have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>33 GRANTS AND SUBSIDIES PAID</b>		
Conditional Grants Paid	2 680 744	2 601 228
Community Projects	-	-
Low Income Subsidy / Free Basic Services	1 442 797	2 605 131
Mayoral Discretionary Expenditure	-	-
Project Expenditure	-	-
Sport Events	-	-
Tourism	-	-
Women'S Day	-	-
Other	86 400	-
Housing	8 853 593	13 594 168
<b>Total Grants and Subsidies</b>	<b>13 063 534</b>	<b>18 800 526</b>

**Free Basic Services** are in respect of assistance to and providing basic service levels to indigent households.

The **Mayor** makes grants available on own discretion.

**34 GENERAL EXPENSES**

Included in General Expenses are the following:

Advertisements	186 788	284 664
Audit Fees - External	1 572 203	1 180 688
Bank Charges	591 201	390 316
Books,Magazines & Publicatio	35 150	25 416
Call Centre	38 500	45 500
Cleaning Materials	36 547	46 902
Cleaning Services	66 680	75 757
Commission Pd: Prepd Elect	-	922 080
Conferences & Seminars	117 676	87 069
Elec Pre-Paid Meter Issue	336 478	379 878
Electricity Consumption	-	-
Entertainment	169 941	115 420
Fuel - Diesel / Petrol	2 703 386	2 669 604
Functions / Events	123 309	134 409
Grap Compliant Afs/ Budget	-	738 483
Impounding Of Animals	39 974	35 847
It Expenses	81 360	81 711
Legal Costs	1 513 727	-
Membership Fees	508 656	281 424
Pms	243 775	314 014
Postages	111 269	36 157
Printing & Stationery	502 549	547 328
Protective Clothing	349 619	269 395
Safety Equipment	27 019	28 766
Special Programmes	249 049	151 916
Sports Council	144 740	39 172
Stores & Materials	107 061	72 975
Stock Adjustment	705 052	90 565
Subsistence & Travelling	2 767 262	2 559 050
Sundries	4 327 467	770 776
Telephone & Communication	889 406	995 379
Traffic /Road Signs	37 429	6 754
Training Levies	852 248	748 089
Valuation Roll (Msig)	181 084	188 839
Ward Comm Activities & Train	434 760	557 228
Youth Dev. Programmes	39 800	157 410
Interdepartmental Charges	2 171 545	-
<b>Total General Expenses</b>	<b>22 262 710</b>	<b>15 028 981</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.



**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>35 CORRECTION OF ERROR</b>		
Corrections were made during the previous financial years. Details of the corrections are described below:		
<b>35.1 Restatement of Accumulated Surplus</b>		
		<b>Accumulated Surplus 890 770 077.09</b>
<b>Balance previously reported as at 30 June 2011</b>		
Correction of Error:-		
Correction to Opening Balances or PPE, Intangible Assets and Investment Property		
<b>Other Assets</b>		
Historical Cost: Completed	-3 227 357	
Accumulated Depreciation: Cost	5 542 667	
<b>Leased Assets</b>		
Historical Cost: Completed	-1 428 580	
Accumulated Depreciation: Cost	866 705	
<b>Land And Buildings</b>		
Historical Cost: Completed	-56 993 516	
Accumulated Depreciation: Cost	-2 014 550	
<b>Infrastructure Assets</b>		
Historical Cost: WIP	14 158 212	
Historical Cost: Completed	458 791 109	
Accumulated Depreciation: Cost	-382 912 438	
<b>Community Assets</b>		
Historical Cost: WIP	5 767 488	
Historical Cost: Completed	100 505 999	
Accumulated Depreciation: Cost	-23 561 066	
<b>Investment Property</b>		
Revaluation	8 975 661	
Historical Cost: Completed	1 093 812	
Accumulated Amortisation: Cost	-5 630	
	<hr/> 125 558 516	
	<b>Restated Opening Balance</b>	<b>1 016 328 592.89</b>

The municipality previously opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2010. The municipality did not recognise all the Property, Plant and Equipment in accordance with GRAP 17 for the financial years up to 30 June 2010. and recognition of the asset register related amounts during this year the balancing amount of PPE recognised was adjusted to Accumulated Surplus as required by GRAP.

As identified during by the AG during the 2011/12 audit process, the above mentioned Asset Register included various errors relating to existance, completeness and accuracy.

During the 2012/13 financial year Gamagara Municipality consulted with various socialists in compiling a new asset register that would be complete, accurate and that reliance could be placed on for future use. This included:

- The complete physical verification of all assets owned by Gamagara Municipality;
- consultation with specialists and engineers on determining the current replacement costs of all identified assets as at 30 June 2009;
- identification of all actual additions to assets for the four financial years from 2009/10 to 2012/13;
- reconciliation of above additions to actual purchase invoices and capitalisation of these additions at cost.

**35.2 Restatement of Revenue & Expenditure**

The prior year figures of Revenue and Expenditure have been restated to correctly classify the nature of the transactions, in terms of IGRAP 1.09 and MFMA Circular No 51.

Furthermore, the prior year figures have also been corrected and restated.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

				2013 R	2012 R
The effect of the Correction of Error is as follows:					
	2011/12 Restated	2011/12 Audited	Variance/ Adjustment	Due to Reclassificaion	Due to Correction
REVENUE					
Property Rates	17 274 067	17 274 067	-	-	
Fines	102 407	99 831	2 576	2 576	
Licences and Permits	650 480	648 269	2 211	2 211	
Income for Agency Services	1 912 648	1 912 648	-	-	
Government Grants and Subsidies	63 075 680	61 078 247	1 997 433	102 257	1 895 175
Public Contributions and Donations	14 227 490	14 227 490	-	-	
Service Charges	103 602 970	99 148 794	4 454 176	4 454 176	
Rental of Facilities and Equipment	2 337 095	2 263 967	73 127	73 127	
Interest Earned	343 767	343 767	-	-	
Other Revenue	4 179 677	4 731 648	-551 970	-551 970	
EXPENDITURE					
Employee Related Costs	55 754 916	56 022 187	-267 271	-267 271	
Remuneration of Councillors	2 205 178	2 205 178	-	-	
Depreciation and Amortisation	50 645 155	20 285 462	30 359 692	-	30 359 692
Impairment Losses	1 828 546	1 828 546	-0	-0	
Repairs and Maintenance	12 079 714	7 782 096	4 297 617	3 803 263	494 354
Finance Costs	4 639 158	4 759 606	-120 449	18 187	-138 636
Bulk Purchases	57 895 517	57 895 517	-	-	
Contracted Services	6 476 841	506 377	5 970 464	5 970 464	
Grants and Subsidies Paid	18 800 526	16 520 623	2 279 903	384 728	1 895 175
General Expenses	15 028 981	20 716 233	-5 687 251	-5 826 995	139 744
Loss on Disposal of PPE	1 321 925	1 321 925	-	-	
Net Effect of adjustments:	R -18 970 178	R 11 884 976	R -30 855 154	R 0	R -30 855 154.28

As disclosed above, the net effect of the Restatements of Revenue and Expenditure are R0, and the net effect of all corrections to Revenue and Expenditure amounts to R-30855154.

**Government Grants and Subsidies**

The prior year amounts for *Government Grant and Subsidy Revenue* have been restated to correctly recognise and disclose the revenue from the Government Grant - Dept of Housing.

The relevant revenue was not recognise previously, although the specific conditions of the Unspent Grant was met in the relevant year.

**Depreciation and Amortisation**

The prior year amounts for *Depreciation and Amortisation* have been restated to correctly recognise and disclose the recalculated amounts.

These amounts where reviewed and recalculated based on the revised Asset Register implemented during the 2012/13 financial year, as per the naritive disclosure in note 35.1 and the detailed balances in note 8.

**Repairs and Maintenance**

The prior year amounts for *Repairs and Maintenance* have been restated to correctly recognise the nature of the transactions.

These amounts where previously capitilised as assets for the municipality. It does however relate to repairs to the the landfill site and tiles replaced in the municipal building.

**Finance Costs**

The prior year amounts for *Finance Costs* have been restated to correctly recognise the nature of these amounts.

**Grants and Subsidies Paid**

The prior year amounts for *Grants and Subsidies Paid* have been restated to correctly recognise and disclose the nature of the transaction.

This amount was previously capitilised as an asset for the municipality. It does however relate to expenditure with regard to RDP Houses and will therefor not be capitilised but donated to the relevant individuals.

**General Expenses**

The prior year amounts for *General Expenses* have been restated to correctly include expenditure for Water Stock Adjustments (R90 565) and Water Losses (R49

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
	2013 R	2012 R
<b>36 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	21 612 323	(18 970 178)
Adjustment for:		
Correction of Prior Year Errors	136 454	-
Depreciation and Amortisation	54 210 097	50 645 155
Impairment Losses on Property, Plant and Equipment	-	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	1 321 925
Profit on Sale of Land	(2 970 628)	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	-
Other Movement on Property, Plant and Equipment	-	126
Contribution to Retirement Benefit Liabilities	964 909	773 307
Expenditure incurred from Retirement Benefit Liabilities	-	-
Contribution to Provisions - Current	261 253	227 176
Contribution to Provisions - Non-current	1 422 951	(261 488)
Expenditure incurred from Provisions - Current	-	-
Expenditure incurred from Provisions - Non-current	38 250	27 933
Contribution to Impairment Provision	6 817 277	-
Bad Debts Written-off	(849 231)	-
<b>Operating surplus before working capital changes</b>	<b>81 643 655</b>	<b>33 763 955</b>
Decrease/(Increase) in Inventories	966 841	(626 220)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	1 743 000	2 311 500
Decrease/(Increase) in Receivables from Exchange Transactions	(16 506 953)	(1 860 313)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(12 288 723)	(5 566 183)
Decrease/(Increase) in VAT Receivable	1 979 073	(2 950 593)
Decrease/(Increase) in Operating Lease Assets	-	-
Decrease/(Increase) in Current Portion of Long-term Receivables	-	-
Increase/(Decrease) in Consumer Deposits	599 762	422 772
Increase/(Decrease) in Payables from Exchange Transactions	(4 483 798)	3 292 422
Increase/(Decrease) in Payables from Non-exchange Transactions	4 557 489	1 992 573
Increase/(Decrease) in Conditional Grants and Receipts	(1 515 458)	(1 573 196)
<b>Cash generated by / (utilised in) Operations</b>	<b>56 694 886</b>	<b>29 206 717</b>

**37 NON-CASH INVESTING AND FINANCING TRANSACTIONS**

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.

**38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**38.1 Unauthorised Expenditure**

The Municipality Incurred over expenditure of R51 129 000 on the Adjusted Budget for the 2012/13 financial year. A final Adjustments Budget was approved by Council to authorise and include the above overspending.

The following additional Unauthorised expenditure which was not budgeted for was incurred:

Reconciliation of Unauthorised Expenditure:

Opening balance	35 504 075	-
Unauthorised Expenditure current year	8 601 571	51 336 074
Approved by Council or condoned	-	(15 831 999)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<b>44 105 646</b>	<b>35 504 075</b>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R3 324 410 (2012: R682 185)	<i>To be condoned by Council</i>
- Finance and Administration - R0 (2012: R4 146 148)	<i>To be condoned by Council</i>
- Community and Social Services - R0 (2012: R5 512 772)	<i>To be condoned by Council</i>
- Public Safety - R945 057 (2012: R0)	<i>To be condoned by Council</i>
- Sport and Recreation - R2 531 095 (2012: R389 980)	<i>To be condoned by Council</i>
- Environmental Protection - R375 580 (2012: R5 128)	<i>To be condoned by Council</i>
- Waste Management - R633 931 (2012: R3 783 778)	<i>To be condoned by Council</i>
- Roads and Transport - R0 (2012: R7 305 512)	<i>To be condoned by Council</i>
- Water - R477 683 (2012: R7 143 861)	<i>To be condoned by Council</i>
- Electricity - R313 815 (2012: R22 366 711)	<i>To be condoned by Council</i>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>38.2 Irregular Expenditure</b>		
Reconciliation of Irregular Expenditure:		
Opening balance	0	-
Irregular Expenditure current year	32 034 183	40 469 588
Condoned or written off by Council	(32 034 183)	(40 469 588)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>0</u>	<u>0</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Payment Authorisation not approved - R0 (2012: R33 966 000)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Suppliers not submitting tax clearance certificates or declarations of interest - R0 (2012: R269 186)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Motivations for deviations inconsistent with reasons provided - R0</i>	<i>Disciplinary process initiated against responsible person.</i>
<i>Tenders awarded without relevant information included on documents -</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Expenditure contrary to SCM Processes as described in Note 39.7 - R32 034 183 (2012: R0)</i>	<i>A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".</i>

**39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**39.1 Contributions to organised local government - SALGA**

Opening Balance	-	-
Council Subscriptions	508 656	281 424
Amount Paid - current year	(508 656)	(281 424)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**39.2 Audit Fees**

Opening Balance	-	-
Current year Audit Fee	1 572 203	1 180 688
Amount Paid - current year	(1 572 203)	(1 180 688)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**39.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

**39.4 PAYE, Skills Development Levy and UIF**

Opening Balance	-	-
Current year Payroll Deductions	7 731 899	7 011 269
Amount Paid - current year	(7 731 899)	(7 011 269)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**39.5 Pension and Medical Aid Deductions**

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	9 913 611	8 318 944
Amount Paid - current year	(9 913 611)	(8 318 944)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<u>-</u>	<u>-</u>

**39.6 Councillor's arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
J Johnson	20 530	3 736	16 794
JS Kaars	2 793	68	2 725
G Vos	14 215	7 479	6 736
<b>Total Councillor Arrear Consumer Accounts</b>	<u>37 538</u>	<u>11 283</u>	<u>26 255</u>

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Executive And Council	Year 2012/13	Various occasions (22)	Various reasons like preferred supplier & venue, urgency, etc	3 553 195.20
22 Occasions during the financial year procuring various services amounting to R1 520 048,21				
Budget & Treasury Office	Year 2012/13	Various occasions (5)	Various reasons like preferred supplier & venue, urgency, etc	775 011.47
5 Occasions during the financial year procuring chemicals, protective clothing, canopies for vehicles and tree rings amounting to R127 938,47				
Corporate Services	Year 2012/13	Various occasions (6)	Various reasons like preferred supplier & venue, urgency, etc	301 666.09
6 Occasions during the financial year procuring various services amounting to R116 716,54				
Community Services	Year 2012/13	Various occasions (6)	Various reasons like preferred supplier & venue, urgency, etc	1 944 321.26
6 Occasions during the financial year procuring cable, relays, diamond cutter, robot equipment and catering services amounting to R877 699,00				
Shared Services	Year 2012/13	Various occasions (4)	Various reasons like preferred supplier & venue, urgency, etc	50 111.93
4 Occasions during the financial year procuring printer rolls for Radex printer and electricity & water accounts amounting to R238 852,88				
Technical Services	Year 2012/13	Various occasions (6)	Various reasons like preferred supplier & venue, urgency, etc	25 409 877.45
6 Occasions during the financial year procuring various services amounting to R236 727,04				

**2013**  
**R**

**2012**  
**R**

**39.8 Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Water Losses were as follows and are not recoverable:

		Lost Units	Tariff	Value
<b>30 June 2013</b>	Unaccounted Water Losses	<u>20 591</u>	<u>4.1593</u>	<u>85 645</u>
<b>30 June 2012</b>	Unaccounted Water Losses	<u>12 953</u>	<u>3.7966</u>	<u>49 178</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>2013</b>	<b>2012</b>
<b>R</b>	<b>R</b>

**40 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R5 928 858 (2012: R5 090 006) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2012 revealed that the fund had a surplus of -R18,2870,0 (30 June 2011: R58,935 million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,06%.

**Government Employees Pension Fund:**

The scheme is subject to an actuarial valuation every three year. The last statutory valuation was performed as at 31 March 2010.

The statutory valuation performed as at 31 March 2010 revealed that the assets of the fund amounted to R801 004 million (31 March 2008: R707 042 million) million, being fully funded (31 March 2008: 100%) . The contribution rate paid by the members (7,50%) and the employers (13 %) is sufficient to fund the benefits accruing from the fund in the future.

**SALA Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R8 015 (30 June 2010 R7 110,3) million, with funding levels of 98,1% (30 June 2010: 95,9%) and a nett surplus of . The contribution rate paid by Council (19,18%) is sufficient to fund the benefits accruing from the fund in the future.

**Local Government Pension Fund:**

No details could be provided for the fund and of any valuation performed.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

<b>2013</b>	<b>2012</b>
<b>R</b>	<b>R</b>

**DEFINED CONTRIBUTION SCHEMES**

**Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R21,231 (30 June 2011: R15,285) million, with a funding level of 105,3% (30 June 2011: 104,1%). The contribution rate paid by the members (9,58%) and the municipalities (4,00%) is sufficient to fund the benefits accruing from the fund in the future.

**Cape Joint Retirement Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R(7,980) (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

**Municipal Councillors Pension Fund:**

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2009. The latest

The interim valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 123. 672 020) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

**Municipal Employees Gratuity Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

**National Fund for Municipal Workers - Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of R6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

**GAMAGARA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**2013**  
**R**

**2012**  
**R**

**41 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**41.1 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

**41.2 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

**42 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

**43 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

(i) During 2013 the Council adopted the 2014/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.



**APPENDIX A**  
**GAMAGARA MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Balance at 30 June 2012	Received during the Period	Interest Capitilised	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R	R		R	R
<b>LOCAL REGISTERED STOCK</b>					
Total Registered Stock	-	-	-	-	-
<b>ANNUITY LOANS</b>					
DBSA 61006899	9 620 334	-	903 284	1 618 302	8 905 316
DBSA 61000317	2 581 888	-	258 121	1 030 139	1 809 870
DBSA 61000367	17 597 653	-	1 491 267	2 853 281	16 235 639
DBSA 61006937	11 527 054	-	1 255 574	2 060 872	10 721 755
Total Annuity Loans	41 326 929	-	3 908 245	7 562 594	37 672 580
<b>CAPITAL LEASE LIABILITIES</b>					
Finance Leases 1	13 543	-	203	13 746	-
Finance Leases 2	7 689	-	193	7 883	-
Finance Leases 3	10 399	-	209	10 608	(0)
Finance Leases 4	68 176	-	1 024	69 200	0
Total Capital Lease Liabilities	99 806	-	1 630	101 436	(0)
<b>GOVERNMENT LOANS</b>					
Total Government Loans	-	-	-	-	-
<b>OTHER LOANS</b>					
Total Other Loans	-	-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>	41 426 735	-	3 909 875	7 664 030	37 672 580

**APPENDIX B**  
**GAMAGARA MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>	R	R	R	R	R	R	R	R	R	R	R
Land:	242 838 321	-	-	-	(510 000)	242 328 321	-	-	-	-	242 328 321
Buildings:	77 694 988	-	2 572 593	2 240 578	-	82 508 160	14 421 147	4 107 872	-	18 529 020	63 979 140
	<b>320 533 309</b>	<b>-</b>	<b>2 572 593</b>	<b>2 240 578</b>	<b>(510 000)</b>	<b>324 836 481</b>	<b>14 421 147</b>	<b>4 107 872</b>	<b>-</b>	<b>18 529 020</b>	<b>306 307 461</b>
<b>Infrastructure</b>											
Electricity:	218 660 056	0	2 482 738	0	0	221 142 794	86 952 299	7 798 244	0	94 750 543	126 392 252
Roads and Transport:	394 658 186	7 807 991	4 691 964	0	0	407 158 141	193 905 510	10 945 036	0	204 850 546	202 307 596
Sanitation:	235 356 999	0	22 696 040	0	0	258 053 038	128 008 820	8 047 835	0	136 056 654	121 996 384
Sewerage:	0	0	670 625	17 971 176	0	18 641 801	0	9 226	0	9 226	18 632 574
Water:	304 579 033	318 854	15 871 044	6 215 148	0	326 984 079	142 321 450	13 621 725	0	155 943 175	171 040 904
	<b>1 153 254 275</b>	<b>8 126 845</b>	<b>46 412 410</b>	<b>24 186 324</b>	<b>-</b>	<b>1 231 979 853</b>	<b>551 188 078</b>	<b>40 422 066</b>	<b>-</b>	<b>591 610 144</b>	<b>640 369 710</b>
<b>Community Assets</b>											
	125 156 423	43 800	6 707 107	2 603 752	0	134 511 082	34 565 945	7 182 309	0	41 748 254	92 762 828
	<b>125 156 423</b>	<b>43 800</b>	<b>6 707 107</b>	<b>2 603 752</b>	<b>-</b>	<b>134 511 082</b>	<b>34 565 945</b>	<b>7 182 309</b>	<b>-</b>	<b>41 748 254</b>	<b>92 762 828</b>
<b>Other Assets</b>											
	18 906 054	3 637 902	0	0	0	22 543 956	3 109 308	2 231 977	0	5 341 285	17 202 671
	<b>18 906 054</b>	<b>3 637 902</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 543 956</b>	<b>3 109 308</b>	<b>2 231 977</b>	<b>-</b>	<b>5 341 285</b>	<b>17 202 671</b>
<b>Total</b>	<b>1 617 850 060</b>	<b>11 808 547</b>	<b>55 692 110</b>	<b>29 030 654</b>	<b>(510 000)</b>	<b>1 713 871 373</b>	<b>603 284 478</b>	<b>53 944 224</b>	<b>-</b>	<b>657 228 703</b>	<b>1 056 642 670</b>
						0.00				0.00	0.00

**GAMAGARA MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R	R
Land	8 975 661	0	0	0	0	8 975 661	0	0	0	0	8 975 661
	<b>8 975 661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 975 661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 975 661</b>
						0.00					

**GAMAGARA MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R	R
Computer Software	1 146 795	429 190	0	0	0	1 575 985	123 259	265 873	0	389 132	1 186 853
	<b>1 146 795</b>	<b>429 190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 575 985</b>	<b>123 259</b>	<b>265 873</b>	<b>-</b>	<b>389 132</b>	<b>1 186 853</b>
						0.00					

**APPENDIX D**  
**GAMAGARA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
18 345 225	15 891 129	2 454 096	Executive and Council	21 494 983	23 384 956	(1 889 973)
22 943 802	26 962 112	(4 018 310)	Finance and Administration	23 143 372	31 036 813	(7 893 441)
19 681	1 417 559	(1 397 878)	Planning and Development	21 147	1 384 922	(1 363 774)
-	-	-	Health	-	-	-
778 661	10 871 277	(10 092 616)	Community and Social Services	1 778 855	12 691 897	(10 913 042)
14 036 394	13 598 018	438 376	Housing	16 743 774	8 858 193	7 885 581
2 653 617	3 996 056	(1 342 440)	Public Safety	3 136 303	5 586 781	(2 450 478)
(4 769)	6 244 581	(6 249 349)	Sport and Recreation	(4 035)	9 117 957	(9 121 992)
3 565	1 155 004	(1 151 439)	Environmental Protection	6 337	1 694 608	(1 688 271)
43 870 990	28 221 994	15 648 996	Waste Management	63 680 629	30 163 995	33 516 633
(182 849)	15 801 320	(15 984 170)	Roads and Transport	9 040 747	17 378 411	(8 337 664)
31 795 067	27 391 738	4 403 329	Water	42 691 510	33 914 940	8 776 570
71 412 544	69 579 705	1 832 839	Electricity	96 275 954	77 318 285	18 957 670
2 034 353	5 545 965	(3 511 613)	Other	1 328 364	5 193 861	(3 865 497)
<b>207 706 280</b>	<b>226 676 458</b>	<b>(18 970 178)</b>	Sub-Total	<b>279 337 940</b>	<b>257 725 617</b>	<b>21 612 323</b>
			Revenue Foregone			
<b>207 706 280</b>	<b>226 676 458</b>	<b>(18 970 178)</b>	Total	<b>279 337 940</b>	<b>257 725 617</b>	<b>21 612 323</b>

## RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13										
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>											
<b>Governance and Administration:</b>											
Executive and Council	21 195 000	-	21 195 000	-	127 815	21 322 815	21 494 983	-	172 168	100.81	101.42
Budget and Treasury Office	25 096 677	(75 000)	25 021 677	-	-	25 021 677	23 025 421	-	(1 996 256)	92.02	91.75
Corporate Services	(99 360)	-	(99 360)	-	-	(99 360)	117 950	-	217 310	0.00	0.00
<b>Community and Public Safety:</b>											
Community and Social Services	4 442 734	(92 423)	4 350 311	-	-	4 350 311	1 778 855	-	(2 571 456)	40.89	40.04
Sport and Recreation	950 000	80 000	1 030 000	-	-	1 030 000	(4 035)	-	(1 034 035)	0.00	0.00
Public Safety	2 512 973	323 000	2 835 973	-	-	2 835 973	3 136 303	-	300 330	110.59	124.80
Housing	21 220 566	30 158 027	51 378 593	-	-	51 378 593	16 743 774	-	(34 634 819)	32.59	78.90
Health	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Economic and Environmental Services:</b>											
Planning and Development	43 200	-	43 200	-	-	43 200	21 147	-	(22 053)	48.95	48.95
Road Transport	14 706 537	4 997 425	19 703 962	-	-	19 703 962	9 040 747	-	(10 663 215)	45.88	61.47
Environmental Protection	2 160	-	2 160	-	-	2 160	6 337	-	4 177	293.38	293.38
<b>Trading Services:</b>											
Electricity	99 552 332	6 293 166	105 845 498	-	-	105 845 498	96 275 954	-	(9 569 544)	90.96	96.71
Water	46 630 099	4 898 647	51 528 746	-	-	51 528 746	42 691 510	-	(8 837 236)	82.85	91.55
Waste Water Management	42 936 062	29 000 000	71 936 062	-	-	71 936 062	52 033 642	-	(19 902 420)	72.33	121.19
Waste Management	9 828 530	-	9 828 530	-	-	9 828 530	11 646 986	-	1 818 456	118.50	118.50
<b>Other:</b>											
Tourism	4 514 160	(1 460 000)	3 054 160	-	-	3 054 160	1 328 364	-	(1 725 796)	43.49	29.43
Intergovernmental & Special Projects		-		-	-			-	-	0.00	0.00
<b>Total Revenue - Standard</b>	293 531 670	74 122 842	367 654 512	-	127 815	367 782 327	279 337 940	-	(88 444 387)	75.95	95.16
<b>EXPENDITURE - STANDARD</b>											
<b>Governance and Administration:</b>											
Executive and Council	16 243 480	(20 121)	16 223 359	-	3 837 186	20 060 545	23 384 956	-	3 324 410	116.57	143.97
Budget and Treasury Office	15 699 308	-	15 699 308	-	1 948 748	17 648 056	17 725 356	-	77 300	100.44	112.91
Corporate Services	10 607 390	411 411	11 018 801	-	3 739 054	14 757 855	13 311 457	-	(1 446 398)	90.20	125.49
<b>Community and Public Safety:</b>											
Community and Social Services	5 566 043	329 487	5 895 530	-	7 592 773	13 488 303	12 691 897	-	(796 406)	94.10	228.02
Sport and Recreation	6 253 536	16 795	6 270 331	-	316 531	6 586 862	9 117 957	-	2 531 095	138.43	145.80
Public Safety	4 341 194	36	4 341 230	-	300 495	4 641 725	5 586 781	-	945 057	120.36	128.69
Housing	6 312 600	2 782 967	9 095 567	-	(42 400)	9 053 167	8 858 193	-	(194 974)	97.85	140.33
Health	-	-	-	-	-	-	-	-	-	0.00	0.00
<b>Economic and Environmental Services:</b>											
Planning and Development	3 052 054	59 439	3 111 493	-	8 833	3 120 326	1 384 922	-	(1 735 404)	44.38	45.38
Road Transport	11 214 629	(125 380)	11 089 249	-	9 567 872	20 657 121	17 378 411	-	(3 278 710)	84.13	154.96
Environmental Protection	1 216 748	1 458	1 218 206	-	100 822	1 319 028	1 694 608	-	375 580	128.47	139.27
<b>Trading Services:</b>											
Electricity	53 650 774	12 978 898	66 629 672	-	10 374 797	77 004 469	77 318 285	-	313 815	100.41	144.11
Water	22 041 391	1 409 481	23 450 872	-	9 986 385	33 437 257	33 914 940	-	477 683	101.43	153.87
Waste Water Management	13 638 082	16 026	13 654 108	-	3 987 342	17 641 450	17 280 191	-	(361 259)	97.95	126.71
Waste Management	12 725 229	(457)	12 724 772	-	(836 158)	11 888 614	12 883 804	-	995 191	108.37	101.25
<b>Other:</b>											
Tourism	7 575 852	1 458	7 577 310	-	246 006	7 823 316	5 193 861	-	(2 629 455)	66.39	68.56
Intergovernmental & Special Projects		-		-	-			-	-	0.00	0.00
<b>Total Expenditure - Standard</b>	190 138 310	17 861 498	207 999 808	-	51 128 285	259 128 093	257 725 617	-	(1 402 475)	99.46	135.55
<b>Surplus/(Deficit) for the year</b>	<b>103 393 360</b>	<b>56 261 344</b>	<b>159 654 704</b>	<b>-</b>	<b>(51 000 470)</b>	<b>108 654 234</b>	<b>21 612 323</b>	<b>-</b>	<b>(87 041 912)</b>	<b>19.89</b>	<b>20.90</b>

## RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013

[illegible]

**APPENDIX E3**  
**GAMAGARA MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/13											2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue by Source	R	R	R	R	R	R	R	R	R	R	R	R
Property Rates	21 000 000	-	21 000 000	-	-	21 000 000	20 320 910	-	(679 090)	96.77	96.77	-
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Electricity	86 481 415	(86 336)	86 395 079	-	-	86 395 079	72 257 608	-	(14 137 471)	83.64	83.55	57 316 452
Service Charges - Water	28 457 247	7 273 205	35 730 452	-	-	35 730 452	34 351 011	-	(1 379 441)	96.14	120.71	26 108 552
Service Charges - Sanitation	10 656 986	-	10 656 986	-	-	10 656 986	10 675 332	-	18 346	100.17	100.17	8 159 718
Service Charges - Refuse	9 762 516	-	9 762 516	-	-	9 762 516	11 593 158	-	1 830 642	118.75	118.75	9 408 464
Service Charges - Other	27 000 000	23 000 000	50 000 000	-	-	50 000 000	24 398 237	-	(25 601 763)	48.80	90.36	-
Rental of Facilities and Equipment	2 017 566	300 000	2 317 566	-	-	2 317 566	1 594 220	-	(723 346)	68.79	79.02	-
Interest Earned - External Investments	1 000 000	-	1 000 000	-	-	1 000 000	136 800	-	(863 200)	13.68	13.68	-
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Fines	362 460	-	362 460	-	-	362 460	368 193	-	5 733	101.58	101.58	-
Licences and Permits	737 856	3 000	740 856	-	-	740 856	847 899	-	107 043	114.45	114.91	-
Agency Services	1 530 317	320 000	1 850 317	-	-	1 850 317	2 036 111	-	185 794	110.04	133.05	-
Transfers Recognised - Operational	84 492 000	18 072 955	102 564 955	-	127 815	102 692 770	60 646 491	-	(42 046 279)	59.06	71.78	-
Other Revenue	5 033 307	1 240 018	6 273 325	-	-	6 273 325	4 673 954	-	(1 599 371)	74.51	92.86	-
Gains on Disposal of PPE	15 000 000	24 000 000	39 000 000	-	-	39 000 000	2 970 628	-	(36 029 372)	7.62	19.80	-
Total Revenue (excluding Capital Transfers & Contributions)	293 531 670	74 122 842	367 654 512	-	127 815	367 782 327	246 870 551	-	(120 911 776)	67.12	84.10	100 993 186
Expenditure												
Employee Related Costs	63 179 908	150 770	63 330 678	-	752 979	64 083 657	68 477 997	4 394 340	4 394 340	106.86	108.39	-
Remuneration of Councillors	2 341 798	-	2 341 798	-	17 319	2 359 117	2 367 938	8 821	8 821	100.37	101.12	-
Debt Impairment	2 120 000	-	2 120 000	-	3 849 633	5 969 633	6 848 594	878 961	878 961	114.72	323.05	1 828 546
Depreciation and Asset Impairment	9 686 280	-	9 686 280	-	44 540 668	54 226 948	54 210 097	-	(16 851)	99.97	559.66	-
Finance Charges	11 161 800	-	11 161 800	-	(7 058 000)	4 103 800	5 234 273	1 130 473	1 130 473	127.55	46.89	-
Bulk Purchases	48 879 942	10 500 000	59 379 942	-	8 082 308	67 462 250	67 462 250	-	-	100.00	138.02	-
Other Materials	13 473 866	3 018 580	16 492 446	-	(306 568)	16 185 878	13 137 834	-	(3 048 044)	81.17	97.51	-
Contracted Services	3 607 011	769 173	4 376 184	-	1 275 796	5 651 980	4 660 391	-	(991 589)	82.46	129.20	-
Transfers and Grants	11 397 915	3 985 335	15 383 250	-	-	15 383 250	13 063 534	-	(2 319 716)	84.92	114.61	-
Other Expenditure	24 289 790	(562 360)	23 727 430	-	(25 850)	23 701 580	22 262 710	-	(1 438 870)	93.93	91.65	-
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-
Total Expenditure	190 138 310	17 861 498	207 999 808	-	51 128 285	259 128 093	257 725 617	6 412 595	(1 402 475)	99.46	135.55	1 828 546
Surplus/(Deficit)	103 393 360	56 261 344	159 654 704	-	(51 000 470)	108 654 234	(10 855 066)	(6 412 595)	(119 509 301)	0.00	0.00	99 164 640
Transfers Recognised - Capital	-	-	-	-	-	-	32 467 389	32 467 389	32 467 389	0.00	0.00	-
Surplus/(Deficit) for the Year	103 393 360	56 261 344	159 654 704	-	(51 000 470)	108 654 234	21 612 323	26 054 793	(87 041 912)	19.89	20.90	99 164 640



# APPENDIX E4 GAMAGARA MUNICIPALITY

## RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	194 422 000	-	194 422 000	194 422 000	181 825 275	(12 596 725)	93.52	93.52	138 010 151
Government Grant Receipts	122 247 957	(21 612 289)	100 635 668	100 635 668	72 210 471				64 648 876
Interest	500 000	-	500 000	500 000	136 800	(363 200)	27.36	27.36	343 767
<b>Payments</b>									
Suppliers and Employees	(162 970 285)	3 985 335	(158 984 950)	(158 984 950)	(176 013 185)	(17 028 235)	0.00	0.00	(143 109 593)
Finance Charges	(11 161 800)	-	(11 161 800)	(11 161 800)	(5 234 273)	5 927 527	0.00	0.00	(4 639 158)
Transfers and Grants	(11 397 915)	(3 985 335)	(15 383 250)	(15 383 250)	(13 063 534)	2 319 716	0.00	0.00	(18 800 526)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	131 639 957	(21 612 289)	110 027 668	110 027 668	59 861 554	(21 740 917)	54.41	45.47	36 453 517
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	-	-	-	-	3 480 628	3 480 628	0.00	0.00	1 625 675
Decrease / (Increase) in Non-current Debtors	24 000 000	-	24 000 000	24 000 000	-	(24 000 000)	0.00	0.00	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	-				-
<b>Payments</b>									
Capital Assets	(129 170 000)	-	(129 170 000)	(129 170 000)	(71 000 189)	58 169 811	0.00	0.00	(36 874 164)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(105 170 000)	-	(105 170 000)	(105 170 000)	(67 519 560)	37 650 440	0.00	0.00	(35 248 489)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Loans repaid	(10 422 793)	-	(10 422 793)	(10 422 793)	(3 754 155)	6 668 638	0.00	0.00	(13 998 279)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	(10 422 793)	-	(10 422 793)	(10 422 793)	(3 754 155)	6 668 638	0.00	0.00	(13 998 279)
	<b>10 422 793</b>		<b>10 422 793</b>	<b>10 422 793</b>	3 754 155				13 998 279
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	(16 047 164)	21 612 289	5 565 125	5 565 125	11 412 161	5 847 036	205.07	0.00	12 793 252
Cash / Cash Equivalents at the Year begin:	34 040 000	-	34 040 000	34 040 000	(9 478 260)	(43 518 260)	0.00	0.00	3 314 992
Cash / Cash Equivalents at the Year end:	50 087 164	(21 612 289)	28 474 875	28 474 875	(20 890 421)	(49 365 296)	0.00	0.00	(9 478 260)

# APPENDIX F

## GAMAGARA MUNICIPALITY

### DISCLOSURE OF GRANTS AND SUBSIDIES

#### Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure				
		June	Sept	Dec	March	June	June	Sept	Dec	March	June
Equitable Share	Nat Treasury	0	8 627 000	6 902 000	5 176 000	0	0	80 356	627 039	349 225	386 177
FMG	Nat Treasury	0	1 500 000	0	0	0	0	168 230	449 594	249 690	632 486
NDPG	Nat Treasury	0	0	0	0	0	0	0	0	0	0
MIG Projects	MIG	0	4 000 000	3 697 000	3 000 000	0	0	2 757 052	2 551 571	2 550 679	875 706
Bulk Infrastructure Grant	DWAF	0	3 342 951	4 477 811	11 635 151	655 450	0	1 844 307	8 461 664	5 699 625	4 105 767
DWAF O & M	DWAF	0	0	0	0	0	0	0	0	0	0
DME Projects	DME	0	500 000	1 400 000	0	0	0	30 150	27 357	1 315 789	526 704
MSIG	DPLG	0	800 000	0	0	0	0	687 054	8 130	104 817	0
EPWP Incentive Grant	Province	0	400 000	300 000	300 000	0	0	424 368	1 475 632	0	0
Housing	Province	0	1 496 648	4 463 137	7 137 008	0	0	1 232 787	4 701 890	4 248 562	2 678 664
Sport & Recreation	Province	0	232 500	232 500	0	0	0	68 185	43 026	120 268	193 065
Local District Municipality	LDM	0	0	0	0	0	0	0	0	0	0
<b>Total Grants and Subsidies Received</b>		<b>0</b>	<b>20 899 099</b>	<b>21 472 448</b>	<b>27 248 159</b>	<b>655 450</b>	<b>0</b>	<b>7 292 488</b>	<b>18 345 903</b>	<b>14 638 655</b>	<b>9 398 569</b>